

# **National Accountability Bureau**



**Annual Report  
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# Chapter 1

## National Accountability Bureau: A Prologue

*The creation of the National Accountability Bureau is the latest attempt to bring corruption under control in a country that has experimented with several anti-corruption laws and policies. Despite these efforts, corruption has failed to subside. The National Accountability Bureau Ordinance was therefore designed to circumvent various forms of corruption and the weaknesses of earlier laws. It was also innovative in introducing concepts like 'plea bargaining' and 'wilful default'.*

*The legality and vires of the Ordinance were challenged in the Supreme Court on grounds of violation of the fundamental rights guaranteed by the Constitution. The decision of the Apex Court validated the Ordinance, though some amendments were introduced in the light of the judgment. Furthermore, to allay the fears of the business community and to preclude the possibility of an economic backlash, certain procedural amendments were also made to the Ordinance.*

# The Genesis of NAB

1.1 Over the years, corruption has flourished in the country in one form or another. Various measures such as the evacuee property scandals, the issuance of licenses and permits, and the easy availability of foreign funds in the 1950s and 1960s, followed by nationalization in the 1970s, enhancing the role of public administrators, and the post-1980s culture of allotment of plots, discretionary powers of employment, and the provision of funds to public representatives for 'development' have successively institutionalized corruption.

1.2 To deal with this problem, a number of anti-corruption agencies were created, yet none succeeded in curbing corruption. Some agencies have fallen prey to corrupt practices, becoming part of the problem instead of providing a solution. Judicial processes have remained lengthy, even though special courts have been created to try anti-corruption cases expeditiously. A new beginning therefore seemed to be urgently needed, causing the present Government to legislate afresh. Consequently, the NAB Ordinance 1999 was promulgated.

1.3 The first legislative measure against corruption was the Prevention of Corruption Act 1947. It reflected the concern of the people against corruption at the dawn of independence, when the Father of the Nation in his first address to the Constituent Assembly likened corruption to poison. This enactment extended to all citizens of Pakistan as well as to persons in the service of the Government, stipulating punishments for criminal misconduct. Subsequently, two other laws were promulgated: the Public Representative Offices Disqualification Act (PRODA) 1949, and later the Elective Bodies Disqualification Order (EBDO) of 1959 debarring persons found guilty of misconduct from public life. Both enactments proved counter-productive: they were viewed as exercises in political victimization, and were scrapped.

1.4 In 1974, the FIA Act created a Federal Investigation Agency which supplanted its precursor organization the 'Special Police Establishment' (SPE). The creation of the FIA was an admission that the incidence of economic crimes had increased, creating a concomitant upsurge in corruption. This new agency was given the task of combating bribery and corruption within the federal government, including public sector banks, development finance institutions (DFIs), public sector corporations, and other bodies. The FIA was also empowered to investigate offences where wrongful loss had been caused or suffered by the federal government. To tackle white-collar crime, the FIA created a specialized Economic Crime Wing, to detect and investigate such criminal activity. This Wing, however, has not been legally empowered to investigate cases of 'wilful default', (a new phrase in the legal lexicon of Pakistan introduced with the promulgation of the NAB Ordinance). The Economic Crime Wing has developed expertise in investigating economic crimes and shares this with NAB, as and when required.

1.5 The 'notorious nineties' in particular witnessed an upsurge in corruption, creating widespread resentment within the body politic. The slogan of 'ehtesab' (accountability) was raised with fresh intensity, and political parties were compelled to include it in their manifestos. The then caretaker Government, mindful of this populist demand, created an Ehtesab Commission in November 1996 amid high expectations. Its performance, however, was a disappointment and the media adequately reflected these sentiments. It was not surprising,

therefore, that the next political government promulgated the Ehtesab Act 1997 which created an Ehtesab Cell to investigate corruption cases. The Ehtesab Commission was 'defanged' and became a conduit for forwarding cases investigated by the Ehtesab Cell to the relevant courts. Unfortunately, the manner in which the Cell conducted itself invited criticism, and accountability once again was viewed as a vehicle for political victimization. In due course the Ehtesab Cell became so discredited that, with the change of government in October 1999, it was disbanded and replaced by NAB.

1.6 It is necessary to point out that at this point in time there are organizations other than NAB, involved, directly or indirectly, in combating corruption. Each organization contributes to this objective according to the functions laid down in its respective charter. NAB has established useful linkages with these organizations and maintains a close relationship for exchange of information and assistance in its enquiries and investigations. This close interaction has paid dividends and has streamlined the accountability process in the country, although co-ordination and the mechanism for sharing information requires improvement. These organizations include:

- Auditor General of Pakistan
- Ombudsman (federal and provincial)
- Inspection Commissions (federal and provincial)
- Federal Investigation Agency
- Provincial Anti-Corruption Establishments

1.7 Learning from past failures, NAB has tried to avoid pitfalls such as incompetent and protracted investigations, and non-professional procedures. To ensure effective deterrence, it has been necessary to target all segments of society, especially prominent politicians, bureaucrats, and business tycoons with a reputation for corruption. Discredited lower functionaries have also been taken to task. Given the scale of corruption in the country and NAB's limited resources, the passage of time rendered it necessary to prioritize targets. Gradually, the focus shifted to large-scale corruption in public sector institutions and to those public office holders who were responsible for sizable plunder of government funds. Before long, the country witnessed ex-prime ministers, ex-chief ministers, senior politicians, bureaucrats, and businessmen being prosecuted and convicted.

1.8 For the first time in the history of the country, the recovery of plundered wealth has been assigned a high priority. In this context, 'plea bargaining' was introduced as a new courtroom practice, earning the approval of the Supreme Court in the NAB vires case.

1.9 In the pre-NAB period loans advanced indiscriminately by public sector banks and DFIs were frequently ignored or written off, resulting in massive defaults. Such loans were neither properly secured (due to a lack of financial and legal diligence), nor utilized for the purpose for which they were obtained; hence the defaults. To cope with this situation, a cognizable offence of 'wilful default' was introduced and the first major thrust relating thereto was launched against bank defaulters. The outcome of these efforts has been encouraging and is recounted under the section entitled 'Banking Wing'.

1.10 Recovery of looted wealth has always been problematic, once the funds have been transferred abroad. Lack of formal arrangements for mutual legal assistance between different jurisdictions, the variance in legal systems amongst the concerned countries, and a general reluctance to provide or share information on financial matters of the institutions involved have been major impediments. The worst case scenario relates to the Offshore Finance Centers (OFCs), the economies of which are largely dependent on illicit funds. In this context, NAB is actively engaged in seeking greater international co-operation to retrieve the missing funds, and also secure the return of the absconders.

1.11 NAB's performance in these matters has been premised upon professionalism, specialization and reliance on progressive investigation technology. Links with corresponding agencies has enabled it to unearth areas of corruption, which had hitherto remained undisturbed. The volume of its operations and the successful culmination of several NAB cases are proof of its success. These are discussed in detail under appropriate headings.

## **National Accountability Bureau Ordinance 1999**

1.12 The NAB Ordinance was promulgated on 16 November 1999. It has been applicable since 1 January 1985 and extends to the whole of Pakistan. It applies to all persons in Pakistan, and persons who are or have been in the service of Pakistan wherever they may be, including areas which are part of the Federally and Provincially Administered Tribal Areas. The Ordinance provides for:

- the detection, investigation, prosecution, and speedy disposal of cases involving corruption, corrupt practices, misuse/abuse of power, misappropriation of property, kickbacks, commissions, and matters connected and ancillary or incidental thereto;
- the recovery of outstanding amounts from persons who have committed default in repayments to banks, financial institutions, the Government, and other agencies;
- the recovery of state money and other assets from those people who have through corruption and corrupt practices misappropriated such assets or removed these assets abroad.

1.13 To enforce effective accountability in the country, the NAB Ordinance had to be innovative in scope and application. Consequently, new and more extensive definitions and concepts were introduced to cater to the changing pattern of such criminality.

1.14 Corruption and corrupt practices under Section 9 of the Ordinance are extensively defined to include, in addition to offences under the Pakistan Penal Code, wilful bank default, issuance of any directive, policy, or Statutory Regulatory Order (SRO) which grants undue concession or benefits in any matter of taxation; misuse of authority for wrongful gain; acquisition of property for oneself and one's dependents through illegal means; and possession of assets beyond known sources of income. These offences are punishable with imprisonment up to 14 years or a fine, or both. The property of a convicted person is also liable to forfeiture if it is found to be disproportionate to their known sources of income or is acquired by money obtained through corruption and corrupt practices. Persons aiding and abetting acquisition of such properties are liable to similar or less punishment. The convicted are disqualified from holding public office for 10 years and cannot obtain loans from public sector banks and DFIs.

1.15. Corruption in a world which has become a global village creates its own problems. The movement of capital across continents has necessitated special modes of surveillance. Banks and financial institutions are now required to take due notice of unusual and large transactions and to ascertain their apparent economic or lawful purpose. Such transactions shall be brought to the attention of the State Bank of Pakistan, which will refer them to the Chairman NAB for cognizance. Failure to do so on the part of banks and financial institutions is punishable with imprisonment extending up to 5 years or a fine or both. This provision has been introduced for the first time with the objective of monitoring movements of suspicious money within and outside the country so as to check white-collar crime and money laundering. Other countries have also enforced similar monitoring provisions.

1.16 'Benami'<sup>1</sup> transactions are amongst the oldest tricks of white-collar crime in the country. The law recognizes this fact and therefore the definition of assets is comprehensive in the NAB Ordinance. Assets are defined as 'any property owned, controlled by or belonging to any accused, whether directly or indirectly, or held 'benami' in the name of his spouse or relatives or associates, whether within or outside Pakistan, for which they cannot reasonably account, or for which they cannot prove payment of full lawful consideration'. This definition allows probes of not only the property of the accused but also that of relatives or associates. In fact, courts now require benamidars<sup>2</sup> to also appear in person.

## Amendments to the NAB Ordinance

1.17 As a consequence of the strict enforcement of the Ordinance, certain well-entrenched vested interests were successfully brought to justice by NAB. In reaction thereto, they initiated a virulent media campaign, branding the Ordinance as draconian in substance and application. Its validity was challenged in the Supreme Court on the grounds that it exceeded the powers granted by the basic laws and was violative of fundamental rights guaranteed by the Constitution; and that its purpose was to set up an arbitrary executive body to negate the rule of law and principles of natural justice. The landmark judgment of the Supreme Court upheld the NAB Ordinance as a valid legislation, which was neither ultra vires of the Constitution, nor had it invaded provincial authority. However, it directed the federal government to bring certain amendments in the Ordinance, which were subsequently effected. None of the substantive provisions of the Ordinance were struck down, and no ambiguity exists about its implementation.

1.18 The Ordinance 1999 has been amended from time to time by Ordinance XIX of 1999, Ordinance IV of 2000, and Ordinance No XXIV of 2000. The latest amendments (attributable to the Supreme Court order) were made by Ordinance XXXV of 2001. Some of the important amendments pertain, inter alia to: the security of tenures of the top hierarchy of the organization, comprising the Chairman, Deputy Chairman, and the Prosecutor General Accountability; the appointment of serving District and Sessions Judges to the Accountability Courts; facilitating the accused in making an application for the transfer of his/her case from one Accountability Court to another and requiring the prosecution to produce the accused in court after every

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<sup>1</sup> Benami' is a term used for property held in someone else's name. Normally, the purpose is to camouflage ill-gotten wealth or evade taxes.

<sup>2</sup> Owners of Benami properties.



fifteen days for extension in remand. The judgement of the Supreme Court also recognized the jurisdiction of superior courts to grant bail in appropriate cases.

1.19 The crackdown on loan defaulters in 1999 and 2000 created widespread unease within the banking and business community. With the economy in a recessionary mode, the government realized that misgivings based on exaggerated perceptions could further hurt it. Consequently, amendments were introduced in the Ordinance to placate such fears. The State Bank of Pakistan, through its Governor, was given a role in loan default cases. The State Bank acts as a buffer between NAB and the business community in cases of non-payment of funds borrowed from financial institutions. Under the amended law, a person accused of wilful default has been allowed to apply to the Governor of the State Bank of Pakistan for adjustment of his liability through a Conciliation Committee. The conciliation must be concluded within a period of 30 days, subject to any extension of time granted by the Governor. Once an accused accepts the recommendation of the committee (provided the Governor, State Bank, and the Chairman NAB also approve the same), the decision is implemented. The concept of a Conciliation Committee has provided a useful mechanism for settlement of loan defaults, thereby allaying apprehensions of the business community in this regard. Committee proceedings have, however, slowed down the process of accountability.

1.20 As a precondition to instituting proceedings against employees of banks and financial institutions responsible for wrongfully writing off, waiving, restructuring or refinancing any facility, interest or mark-up, NAB must first obtain the approval of the State Bank of Pakistan. In a related context, the State Bank is also required to refer any information it may have on imprudent loans to NAB for investigation.

1.21 The penal clauses of the Ordinance make provision for awarding custodial sentences to absconders indicted in the accountability process for imprisonment terms ranging up to 3 years. The NAB Prosecutor General Accountability does, however, have the discretion to withdraw the prosecution of an accused person at any stage of the proceedings.

1.22 The amended Ordinance has been restructured from time to time to improve NAB's capability for the effective containment of corruption in all walks of public life. Additionally, several amendments to the Ordinance have been designed to mitigate the apprehensions of different interest groups in Pakistan. Partly as a result of this, the Ordinance has with the passage of time, become consensually acceptable.



## Chapter 2

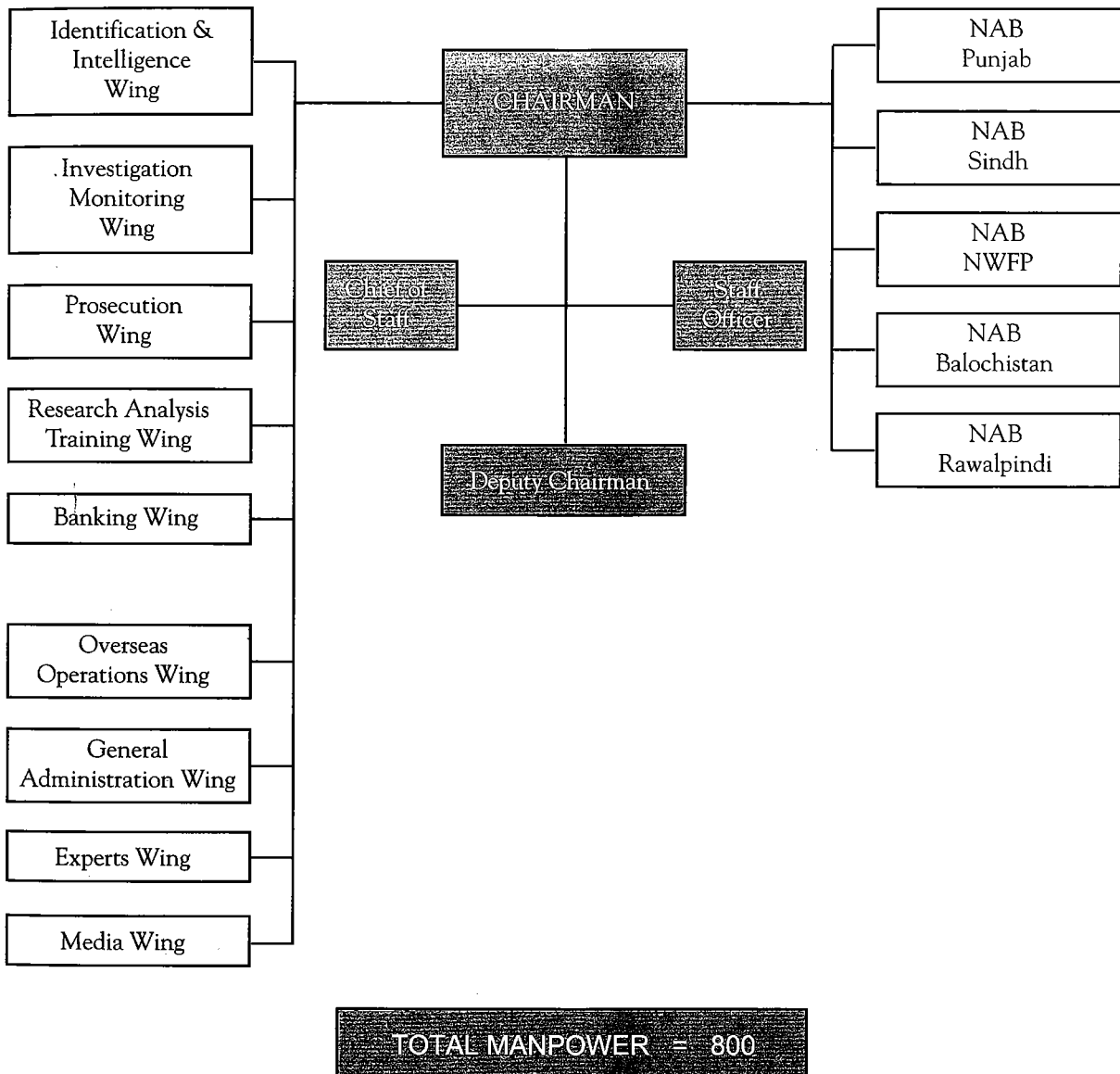
### Functional Methodology

*NAB operations are subdivided into three main functions: identification and intelligence, investigation, and prosecution. However, all cases do not undergo the entire process as those where there is insufficient evidence are not pursued after the first two phases. Furthermore, the accused has the option of applying for a plea bargain at any time during the process. This option can also be exercised after conviction. NAB is empowered to undertake ancillary actions during investigation, including detaining an accused person, and freezing or attaching his/her assets and bank accounts. It can also have his/her name placed on the Exit Control List (ECL) maintained by the Ministry of Interior.*

*The provincial NABs are exclusively responsible for carrying out investigations, utilizing the services of investigating officers drawn from provincial anti-corruption establishments and the Federal Investigation Agency. NAB headquarters reviews these investigations in periodic meetings. NAB operations are somewhat hampered due to its reliance on investigators seconded from other agencies. This limiting factor is, however, being addressed, as NAB will be inducting and training its own investigators in the near future.*

*The organogram on the following page provides a visual representation of the structure and hierarchy of the NAB organization.*

## Organization



## The Identification and Intelligence Wing (IIW)

2.1 The IIW and its counterparts in regional offices receive complaints from individuals and government departments. Thus it has a receptive function, but it is not a passive spectator in the quest for justice. It is proactive in identifying and unearthing instances of corruption and corrupt practices. Its inquiries are extensive and far-reaching. The increasing efficiency and professionalism of the IIW has greatly facilitated NAB in expeditiously completing its investigations and forwarding them for prosecution.

2.2 The IIW is deluged with complaints; it is therefore not surprising that up to 31 December 2001 it received and disposed of 18146 complaints (Table 1). Given the paucity of its resources, the IIW has to be selective in determining which inquiries to pursue. Parameters for assigning priorities have been laid down. Thus high priority is given to cases where corruption in excess of Rs 50 million is detected. Such cases jump the queue because of the sum (and often of the personalities involved). Another determining factor is the deterrent impact a particular case might have on the populace in discouraging corrupt practices. These parameters however are flexible and each case is examined on merit.

Table 1<sup>3</sup>

Information Received and Processed in I & I Wing			
No.	Provincial NAB	Complaints	Inquiries Completed
1	Sindh	3923	124
2	Punjab	8327	243
3	Rawalpindi	3304	91
4	NWFP	2309	132
5	Balochistan	283	63
	<b>Total</b>	<b>18146</b>	<b>653</b>

2.3 A Complaint Cell functions at the NAB headquarters and Provincial NABs to encourage the public to come forward and register their complaints. These complaints are received through personal contact, by mail, e-mail, and telephone. To facilitate easy access, the IIW performs its tasks in an open and transparent manner thereby creating an environment where people do not hesitate to approach it and are confident of securing justice

2.4 It is the responsibility of the IIW to carry out initial probes to determine whether a complaint falls within the ambit of the NAB Ordinance. This is necessary as it will be futile to pursue a matter which does not fall within its legal ambit. Cases which are cognizable are brought to the attention of the Chairman who approves the initiation of a formal inquiry. Thereafter, the process of unearthing incriminating evidence ensues. Once a stage is reached where credible and verified evidence has been brought on record, the case is forwarded to the Investigation Monitoring Wing for securing authorization of investigation under section 18 of the NAB Ordinance.

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<sup>3</sup> Data contained in the tables, boxes, and text in this report are current up to 31 December 2001.

## The Investigation Monitoring Wing (IMW)

2.5 The IMW is the fulcrum of NAB operations. In an accountability organization, investigation is central to its functioning. The IMW at NAB headquarters monitors investigations of the provincial NABs. It also scrutinizes and recommends cases to the Chairman for authorizing investigations under Section 18 of the NAB Ordinance. The task of issuing warrants of arrest and of formal closure of investigations are handled exclusively at NAB Headquarters and the IMW ensures that actions recommended on both counts are justified and judicious.

2.6 A Director General heads the IMW and is responsible to the Chairman for all issues relating to investigations. He works in conjunction with a team of desk officers. He also supervises the performance of the Central Investigation Team (CIT), and interacts with other investigation and intelligence agencies in the country.

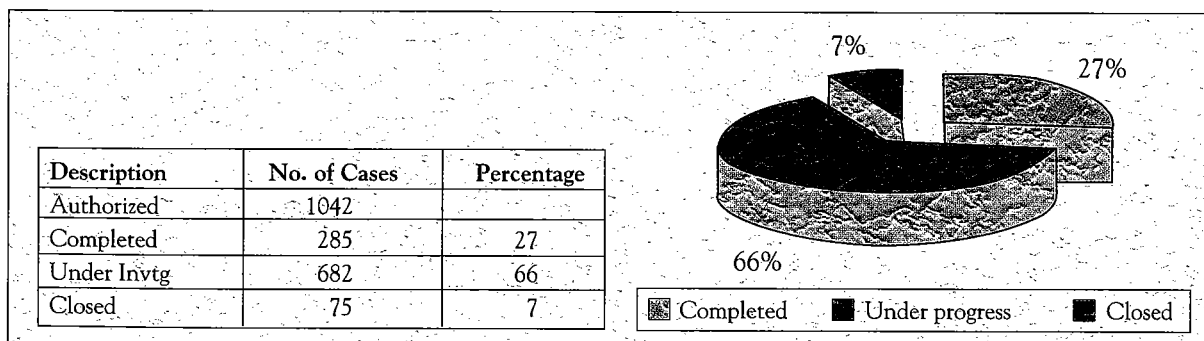
2.7 In view of the large number of investigations at hand and the limited resources, the IMW convenes regular meetings of the provincial NABs to prioritize and monitor the progress of cases under investigation. The cases are prioritized keeping in view factors such as the amount of money, the status of the personality involved, and the impact of the case on society.

2.8 In addition to its monitoring functions, the IMW is responsible for processing cases for plea bargaining and for updating the Exit Control List in co-ordination with the Ministry of Interior. Both are important functions as they directly affect individuals being investigated by NAB.

## Performance of the IMW

2.9 The IMW plays an important role in the accountability process by setting the pace for each investigation. The investigations handled by the IMW are depicted in Box 1.

Box 1

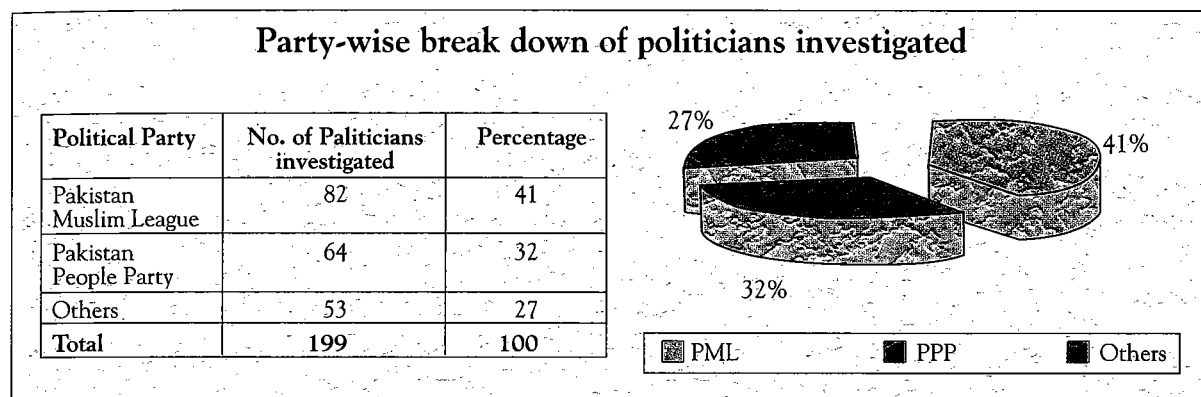


2.10 The collection and preparation of evidence in white-collar crimes is protracted and difficult, often having to sift through a maze of misleading documentation and deciphering duplicitous devices. In spite of this, the performance of the IM Wing has been satisfactory. Its investigations are carried out professionally and NAB has thereby achieved a conviction ratio of 85.6%. This compares favourably with other similar organizations such as 'Central Bureau

of Investigation' of India (69.7 %), 'Independent Commission against Corruption' of Hong Kong (86 %) and 'Serious Fraud Office' of the UK (68 %).<sup>4</sup>

2.11 In order to ensure the impartiality of its accountability process, NAB has avoided targeting any specific group. The process has therefore been generally perceived as an evenhanded exercise, as illustrated in Boxes 2 and 3 and in Table 2. It is evident from Box 2 that there are no significant differences between the numbers of individuals selected for investigation from associates of the two major political parties.

**Box 2**



2.12 Table 2 shows that NAB has not targeted any specific group. The net figure of bureaucrats is higher because of the suspected culpability of a larger number of civil servants as compared to political office holders and errant businessmen, while the lower figure of armed forces personnel is due to effective in-house accountability procedures pursued by the defence establishment. These figures demonstrate that the process has been extended to all significant segments of society.

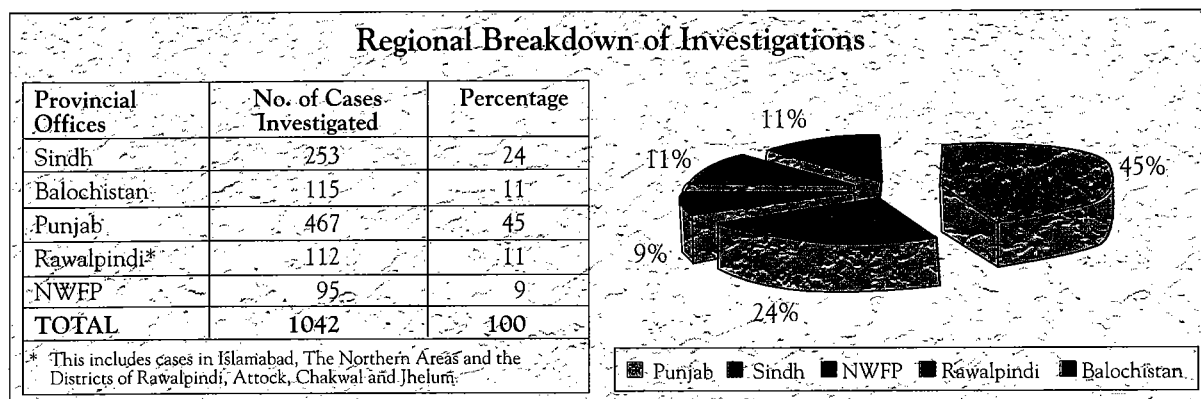
**Table 2**

Category-wise Investigation Data					
No.	Category	Authorized Investigations	Completed	Under Progress	Closed
1	Politicians	289	91	156	42
2	Bureaucrats	476	135	320	21
3	Businessmen	44	18	26	0
4	Armed Forces	22	6	16	0
5	Co-op Scams	121	21	100	0
6	Others	90	12	66	12

2.13 The provincial NABs are responsible for conducting the accountability process in the provinces. Box 3 indicates a region-wise breakdown of investigations. The percentages closely correspond to the relative population of the four provinces.

<sup>4</sup> Source: CBI web site [www.cbi.nic.in](http://www.cbi.nic.in).  
Annual Report of ICAC for the year 1999.  
An outline of the SFO: Information Brochure.

### Box 3



2.14 The statistics above are reflective of a cautious yet steadfast effort to combat corruption. Despite the oft-repeated public demand for ruthless accountability, NAB has preferred a tempered legal approach. The investigative activities of NAB, however, would not have taken off if the FIA and the provincial ACEs had not assigned their investigators. NAB is, therefore, indebted to both these organizations for their timely assistance.

## The Exit Control List (ECL)

2.15 The ECL is a measure devised to control the departure from Pakistan of individuals under investigation. Quite frequently, suspects slip out of the country bringing an investigation to a halt. The ECL, like other restrictive public measures, can be misused, causing harassment to innocent individuals. For preventing such events, NAB has drawn up standing operating procedures to monitor the addition and removal of names from the ECL. Names recommended for placement on the ECL are forwarded to the Ministry of Interior only after ascertaining the merits of the case. A high-powered committee in NAB frequently reviews the ECL. On 12 October 1999 the ECL contained 891 names nominated by the defunct Ehtesab Cell, which were inherited by NAB. By 31 December 2001, as a result of constant reviews, the total number of names retained by NAB on the ECL was 290. This reflects its concern to minimize the impact of such restrictive measures. NAB has assigned the task of handling the ECL to a senior official who co-ordinates activities in this behalf with the Ministry of Interior.

## Plea Bargaining

2.16 This is a newly introduced measure by which an accused person can return illegal assets acquired by him through corrupt practices in exchange for a settlement of his case.

2.17 Plea bargaining may be initiated under section 25 (a) alongwith section 15 of the NAB Ordinance through an application made to the Chairman, NAB, whereby an accused, or any other person representing his interests, agrees to return illegal assets acquired by him through corrupt practices, or agrees to make good the loss caused deceitfully and fraudulently to a bank or financial institution, co-operative society, government department, statutory body, or other authority established or controlled by the federal government or a provincial government.

2.18 Although this concept exists in many developed countries, in Pakistan it is not fully understood and is viewed with suspicion. Incarceration of the corrupt is the preferred option of the people. However, plea-bargaining has proved efficacious in other jurisdictions. Any public office holder or other person who enters into a plea bargain is deemed to have been convicted under the NAB Ordinance. He, therefore, ceases to hold office and is disqualified for appointment to any public office for a period of 10 years. In addition, he is not eligible for any credit facility from public sector banks. Since one of the objectives of the NAB Ordinance is to recover looted wealth, plea-bargaining goes a long way in achieving this goal. The total recoveries made under this head till 31 December 2001 is approximately Rs 1258.7 million. Details are given in the following Table.

**Table 3**

<b>Data on Plea Bargain Recoveries</b>					
<b>Dealing NAB Office</b>	<b>Investigation Stage</b>	<b>Prosecution Stage</b>	<b>Total No. of Cases</b>	<b>Agreed Amount (Million)</b>	<b>Amount Paid (upto Dec 15, 2001) (Million)</b>
NAB (HQs)	19	03	22	804.1	688.2
Karachi	04	18	22	440.8	97.6
Quetta	01	14	15	150.2	93.0
Lahore	04	02	06	30.4	23.9
Rawalpindi	-	02	02	2.1	2.1
Peshawar	12	08	20	397.1	353.7
<b>Grand Total</b>	<b>40</b>	<b>47</b>	<b>87</b>	<b>1825.1</b>	<b>1,258.7</b>

## **Voluntary Return**

2.19 Under section 25 (c) of the NAB Ordinance, a holder of public office or any other person can voluntarily come forward to return any illegal gains made by him or any loss caused by him to the State exchequer through corruption and corrupt practices. The Chairman NAB may accept the offer and after determining the recoverable sum whether representing the illegal gain or the loss caused, he must ensure that it is deposited with NAB. Such a person is then discharged of all his liabilities relating to the matter or transactions, provided that it is not under inquiry or investigation or sub-judice in any court of law. This is the difference between voluntary return under Section 25 (c) and plea bargain under section 25 (a) of the NAB Ordinance.

## **The Central Investigation Team**

2.20 The Central Investigation Team (CIT) is an investigative body based at NAB headquarters. It probes public corporations for corruption and undertakes special inquiries assigned by the Chairman. Although, as its designation denotes, CIT has the capability of carrying out independent investigations, however according to a recent policy decision, investigations are handled exclusively by the provincial NABs. The CIT, therefore carries out



in-depth inquiries and prepares a case for the authorization of investigation, which is then pursued by the concerned provincial NAB.

2.21 CIT is a compact unit headed by a Director who oversees its work. At present it is engaged in inquiring into the affairs of Pakistan Telecommunication Company Limited (PTCL), the Oil and Gas Development Corporation (OGDC), Capital Development Authority (CDA) and the Central Board of Revenue (CBR). The inquiries of CIT are subject to time constraints, although rigid schedules cannot always be adhered to. The details of inquiries underway in the above-mentioned institutions appear in Table 4.

**Table 4**

<b>1</b>	<b>Pakistan Telecommunication Corporation Ltd.</b>	<b>3.</b>	<b>Oil &amp; Gas Development corporation</b>
	BLT project and BT project		Uch gas field development
	Cylinks		Qadirpur gas field development
	New bridge cross connect		GSA and consultancy agreements
	Jointing material		Purchase of 4 x LPG plants
	Sale of copper wire		Award of various contracts
	Bulk meter difference		
<b>2.</b>	<b>Capital Development Authority</b>	<b>4.</b>	<b>Central Board of Revenue</b>
	Land acquisitions and fraudulent allotments		Industrial units in Gadoon: grant of compensation and other issues.
	Laying of water supply pipes, Sector G-6 and G-7		Grant of excessive customs rebate to various industries
	Multiple allotment of plots		Import of contaminated Palm Oil
	Plots for CNG stations		
	Allotment of agro farms		

2.22 CIT has introduced the concept of pre-emptive action against corruption. Such moves have usually been undertaken in cases where there are doubts over the procedures followed, and the contracts concluded. In this regard, the CIT has been successful in preventing significant losses to the exchequer.

## **The Overseas Operations Wing (OOW)**

2.23 Over the years there has been a massive flight of capital to overseas destinations. This has had the effect of exacerbating the fragile foreign exchange situation in the country and debilitating the economy. Estimates of these sums run into billion of dollars. It was therefore necessary to establish a separate wing within NAB to deal with such matters.

2.24 Initially, the OOW took charge of the Ehtesab Cell cases either under investigation or prosecution in Switzerland and the UK. Concomitantly, OOW established a database to identify absconders and locate funds abroad so as to focus its operations more purposefully. Thereafter, it initiated work on the extradition of absconders and the return of misappropriated money stashed abroad. The case of a retired admiral was taken up and, through the assistance of the relevant agencies in the USA, his extradition was sought. After due judicial process, he was extradited to Pakistan in May 2001. OOW is currently pursuing the extradition of

several other absconders, and is interacting with the relevant security and judicial authorities of the concerned countries for this purpose.

2.25 To facilitate investigations abroad, NAB has engaged the services of two foreign investigating firms, M/s Broadsheet and M/s International Assets Recovery. These firms have been hired on a contingency basis, i.e., all expenses incurred during investigation are borne by the respective companies; when a recovery is made from an assigned target, the company is entitled to a percentage of the amount recovered. In all, 133 targets have been registered with both firms.

2.26 In addition to extradition, OOW has pursued Requests for Mutual Legal Assistance (RMLA) in criminal matters. Request for Mutual Legal Assistance is a relatively recent development, encompassing a full range of legal assistance processes (such as service of summons, obtaining of evidence, etc.) in criminal matters from the judicial authorities in the concerned country. NAB has made 10 RMLAs to various foreign countries, including the USA and the UK. It is also engaged in strengthening diplomatic and non-diplomatic linkages with relevant countries so as to ensure success in retrieving assets from abroad and apprehending absconders. By enhancing mutual co-operation with international law enforcement agencies and increasing bilateral interaction, OOW is pursuing its objectives more effectively.

2.27 On the world-affairs level, Pakistan is actively participating in deliberations aimed at concluding a UN Convention against corruption. Such a Convention is expected to contain a number of provisions which could facilitate Pakistan in its quest to repatriate and recover the proceeds of corruption.

## **The Prosecution Wing (PW)**

2.28 The Prosecution Wing is the legal arm of NAB. It is responsible for prosecuting cases: the final stage in the accountability process. Its workforce comprises legal consultants, deputy prosecutors, and special prosecutors appointed by both the NAB headquarters and the provincial NABs. No case can be filed before the Accountability Courts or the respective High Courts or the Supreme Court without being scrutinized by the legal wing at NAB. The legal experts, working as a team, give their opinion at the inquiry, investigation, or trial stages. The PW is also responsible for conducting proceedings relating to cases/petitions filed in the respective High Courts and the Supreme Court.

2.29 The Prosecutor General Accountability (PGA) heads the PW. A Deputy Prosecutor General and five legal consultants assist him. The PW at NAB headquarters monitors the work of its counterpart in the provincial NABs, each of which is headed by a Deputy Prosecutor General.

## **Prosecutor General Accountability (PGA)**

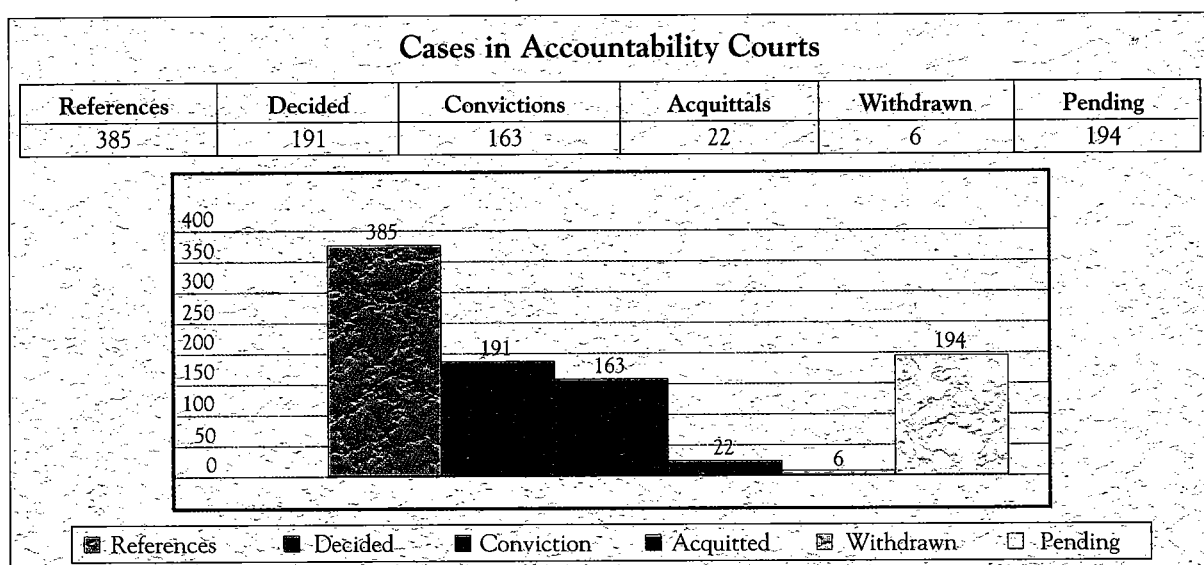
2.30 The primary function of the PGA is to advise the Chairman NAB on legal matters, and perform such other duties of a legal nature as may be assigned to him. He has the right of

audience in all courts established under the Ordinance as well as all other courts and tribunals. The PGA has the power to appoint special prosecutors (with the approval of the Chairman NAB and the concurrence of the Ministry of Law and Justice), for instituting or defending cases, appeals, petitions, applications, and all other matters before all the courts, (including the High Courts and the Supreme Court) on issues pertaining to legal proceedings under the Ordinance.

## Performance of the PW

2.31 A proper assessment of the PW's performance would require quantification of its activities. The current report contains the results of activities initiated by the PW. Box 4 and the tables following it indicate the number of references filed and the results thereof.

**Box 4**



2.32 A number of appeals and other petitions relating to NAB cases have been filed in the higher courts. Of these, 94 have been filed in various High Court branches and 60 in the Supreme Court. The status of these cases is given in Table 5.

**Table 5**

Status of Cases in Superior Courts			
	High Court	Supreme Court	Total
Pending	160	60	220
Accepted/set aside	6	4	10
Dismissed/rejected	28	13	41
Dismissed/rejected partially	0	1	1
Total	194	78	272

2.33 Table 6 indicates the data of appeals filed either by accused persons or by the PGA:

**Table 6**

<b>Cases in Higher Courts</b>			
<b>Appeal filed by</b>	<b>High Court</b>	<b>Supreme Court</b>	<b>Total</b>
Accused	187	69	256
PGA	7	9	16
<b>Total</b>	<b>194</b>	<b>78</b>	<b>272</b>

## **Accountability Courts**

2.34 The Accountability Courts work under the supervision of the respective High Courts; they were established in the first instance at Lahore, Karachi, Peshawar, and Quetta. Subsequently, 7 more Courts were established and, as the workload increased, another 17 followed. Currently, the total number of Accountability Courts in the country is 36.

2.35 The criteria for the eligibility of judges of the Accountability Courts have been amended under the directive of the Supreme Court. In future, those serving as District and Sessions Judges and who are also qualified to be judges of a High Court may be appointed as judges of Accountability Courts. However, the present incumbents of the Accountability Courts, who had retired as District and Sessions judges, have been allowed to complete the time remaining in their respective 3-year term of office.

2.36 The application of the Ordinance was extended to the Northern Areas on 28 June 2000; consequently an Accountability Court has been established at Gilgit.

## **The Experts Wing**

2.37 NAB has acquired the services of various experts who specialize in detecting white-collar crimes. These experts on deputation from various Government departments include officials from the Central Board of Revenue (CBR), the Accounts Group, and the Provincial Revenue Departments. Their expertise has contributed significantly to the success of NAB operations.

2.38 The CBR experts, whether posted at NAB headquarters or at provincial NABs, concentrate on cases of corruption relating to their field. They are well versed in taxation laws and in financial forensics. Their recent assignments, conducted in collaboration with CIT, include inquiries in cases concerning, inter alia, the unlawful release of contaminated palm oil; the clearance of consignments through deliberate misclassification of goods; the grant of excessive unauthorized compensation to dubious claimants; the provision of wrongful gains to non-deserving parties based on documentation prepared with fraudulent intent; the illegal import of vehicles, and the unlawful issuance of official directives devised to cause loss to the exchequer.

2.39 The income tax experts associated with NAB routinely undertake income analyses based on declared assets recorded on income tax and wealth tax returns submitted to the CBR. This facilitates the discovery of assets which are disproportionate to known sources of income. Financial records of suspected public office holders and businessmen are regularly subjected to such analysis.

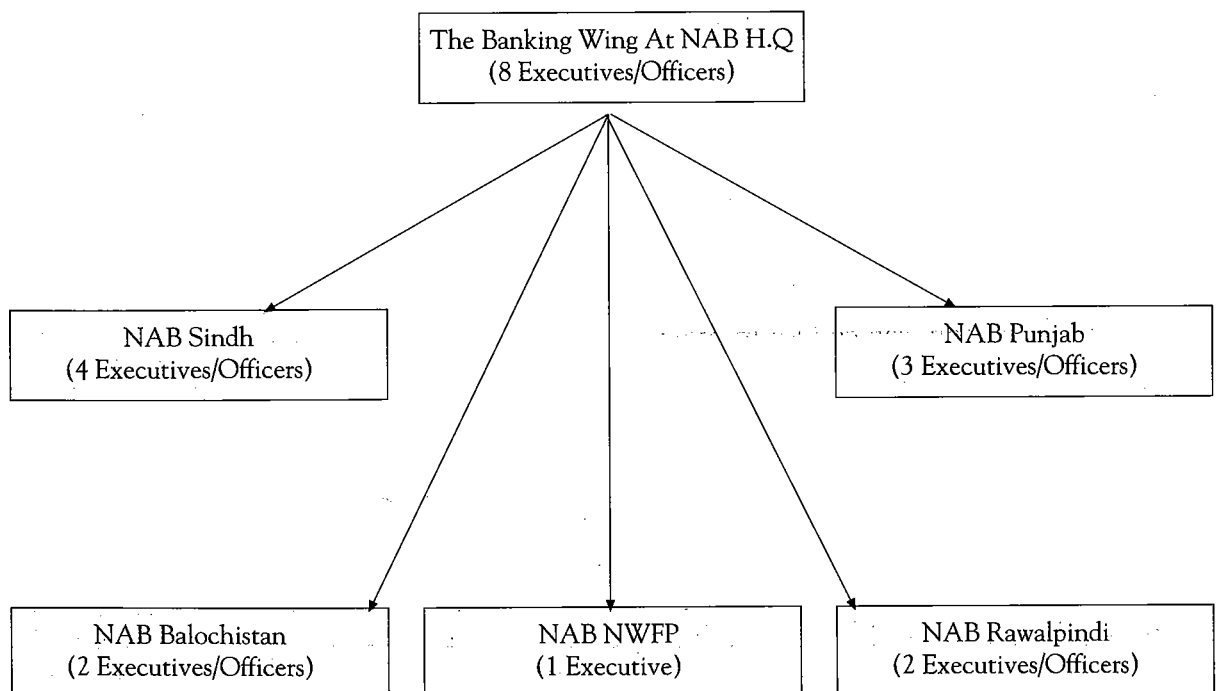
2.40 Since provincial revenue departments are responsible for the maintenance of all land records, including transfers and mutations, NAB has acquired the services of experts on a countrywide basis for exposing instances of land-record tampering pertaining to the fraudulent acquisition of landed property. In view of the fact that land scams constitute a major form of corruption in Pakistan, the services of these experts are an essential component of NAB's anti-corruption programme.

2.41 In addition to the above, audit experts assigned to NAB undertake detailed examination of reported violations of accounting procedures and financial lapses in cases under NAB scrutiny.

## The Banking Wing (BW)

2.42 The BW was established at NAB headquarters for inquiry and investigation into offences pertaining to banks and other financial institutions. It has been in operation since November 1999. Experienced bankers on secondment from various banks have been inducted for service in the BW, 8 of whom are working at NAB headquarters, while another 12 are attached to the provincial NABs, as depicted in the chart.

### Organizational Structure of the Banking Wing



2.43 Table 7 hereunder contains the names of the banks that have offered the services of their executives to NAB:

**Table 7**

<b>Serial No.</b>	<b>Name of Bank</b>	<b>No. of Executives assigned to NAB</b>
1.	State Bank of Pakistan	6
2.	Muslim Commercial Bank Ltd	2
3.	Allied Bank of Pakistan Ltd	2
4.	Habib Bank Ltd	1
5.	United Bank Ltd	1
6.	Union Bank Ltd	1
7.	Bank of Khyber Ltd	1
8.	Faysal Bank Ltd	1
9.	PICIC Commercial Bank Ltd	1
10.	Bank Al-Habib Ltd	1
11.	Soneri Bank Ltd	1
12.	Bank Al-Falah Ltd	1
13.	Prime Bank Ltd	1
	Total	20

2.44 Apart from probing irregularities in the financial sector and assisting in the settlement of loan defaults, the BW undertakes special investigative assignments involving money laundering, embezzlements, frauds, and forgeries. The BW also assists the Chairman NAB in recommending anti-money-laundering measures for adoption by the Government.

2.45 The BW has contributed significantly to the prosecution and settlement of wilful loan defaults. In pursuing its objectives, the BW has been mindful of the possible negative impact its activities could have, yet at the same time it is cognizant of the positive implications, through promoting diligence and encouraging proper documentation.

2.46 The authorization procedures of the BW are: -

- (i) Under Section 19 of the NAB Ordinance 1999, the Chairman NAB, or any official authorized by him, can call for information pertaining to any person from any individual, bank or financial institution.
- (ii) NAB probes imprudent bank loans pursuant to a reference from the State Bank of Pakistan. However, under section 20 of the NAB Ordinance, bankers may send complaints directly to NAB if they detect any suspicious financial transactions. On receiving such a complaint, either from the State Bank or from any financial institution, the BW scrutinizes the same in co-ordination with the concerned financial institution. If the complaint is found to have substance, the Chairman NAB may order an investigation.

## **Conciliation Committee**

2.47 The Ordinance provides for the establishment of a Conciliation Committee for the settlement of disputes between borrowers and lenders. The Committee's membership includes a nominee of the Governor, State Bank of Pakistan (acting as Chairman); the chief executive of the BW; representatives of a firm of chartered accountants jointly nominated in each case under settlement by NAB on the one hand, and by the concerned borrower and financial institution, on the other; two additional chartered accountants nominated by the Governor, State Bank of Pakistan, and also one nominee of the Institute of Chartered Accountants of Pakistan. Since the inception of this Committee, 18 sessions have been held between September 2000 and November 2001 and 17 cases have been successfully disposed of.

## **Working Group on Money Laundering**

2.48 The federal government has recently set up a working group on money laundering. This group inter alia includes two officers of the BW. The working group's functions include identifying loopholes in the financial sector in order to curb money laundering. It is also required to frame regulations premised on internationally acceptable precedents for detecting suspect transactions. The working group's responsibilities also include identification of different agencies involved in this task. It is also required to suggest ways and means for adopting measures similar to those set forth in the recommendations of the Financial Action Task Force (FATF), working under the Organization for Economic Cooperation and Development (OECD) for establishing an effective anti-money laundering regime in the country.

## **Performance of the BW**

2.49 After the promulgation of the NAB Ordinance, wilful default of loans was made a cognizable offence. As a sequel, NAB took concrete steps to assist the banks/financial institutions in their drive for recovery of defaulted loans. Due to the relentless efforts of NAB and active participation of the banks/financial institutions the data received from State Bank of Pakistan indicates a cash recovery of Rs 62.107 billion during the period 12<sup>th</sup> October 1999 to 31<sup>st</sup> December 2001. Moreover, defaulted loans to the tune of Rs 51.252 billion have been restructured/rescheduled by the banks/financial institutions during the same period.

2.50 Of the 25 cases of loan defaults filed in the Accountability Courts involving approximately Rs 9 billion, the Courts have convicted defaulters in 13 cases, awarding rigorous imprisonment, ranging from 3 years to 14 years, and imposing fines varying from Rs 2 million to Rs 150 million, besides disqualifying them from holding public office or obtaining loans from public sector banks and DFIs.

2.51 Eleven references have been filed in the Accountability Courts against various senior executives. The offences against them include misappropriation, unauthorized diversion of funds, and reckless lending, and involves approximately Rs 653 million. In 7 references, convictions have been secured and custodial sentences varying from 3 to 7 years awarded, along with fines ranging from Rs 1 million to Rs 17 million.

2.52 The BW has investigated four major financial and money-laundering scams, involving over Rs 2 billion and references relating thereto have been filed in the Accountability Courts.

2.53 Major inquiries/investigations amounting to over Rs 15 billion on account of diversion of funds and loan defaults are currently in hand, while approximately 300 loan default complaints involving more than Rs 65 billion are pending, awaiting formal references from the State Bank of Pakistan.

2.54 The following Tables indicate the details of loan settlements and default cases handled by the BW:

**Table 8**

<b>Loan Regularization/Settlements</b>		
<b>No.</b>	<b>Name of Company/ Group</b>	<b>Amount Regularized/settled (Rupees in millions)</b>
1	Avari Group	1,000.00
2	Lakson Group	1,500.00
3	Galadari Cement	1,770.00
4	Naseem Saigol Group	930.00
5	Indus Sugar Mill Ltd	1,000.00
6	Choti Textile Mills Ltd	312.00
7	REDCO Textile Mills Ltd	976.00
	<b>Total</b>	<b>7,488.00</b>

**Table 9**

<b>References of default cases in court</b>		
<b>No.</b>	<b>Name of Defaulter</b>	<b>Rupees in millions</b>
1.	Abdul Shakoor Kalodi, Businessman	2,498.19
2.	Abdul Shakoor Kalodi, Businessman	116.27
3.	Asif Saigol / Mohib Fabrics	55.99
4.	Faisal Saleh Hayat / Shah Jewana Textile	241.07
5.	Murtaza Khar / Yahya Textile	582.71
6.	Abbas Sharif / Shahbaz Sharif ( Ittefaq Foundries )	1,063.16
7.	Zakria Ghani / Hyderabad Electronics	836.17
8.	Zakria Ghani / Noori Textile	416.54
9.	Zakria Ghani / Saif Nadeem Kawasaki	124.00
10.	Zulfiqar Ali Ch, Pakistan Switchgear Ltd	8.91
	<b>Total</b>	<b>5,943.01</b>



Table 10

References of Default Cases Disposed of by Court			
No.	Name of Defaulter	Rs. in millions	Details
1.	Abdul Qadir Tawakkal	156.72	7 Years RI, Rs 22.380 million fine.
2.	Asif Saigol/Mohib Exports	16.58	7 years RI, Rs 10 million fine.
3.	Asif Saigol/Mohib Textiles	82.04	10 years RI, Rs 20 million fine, and disqualified to hold public office
4.	Islamuddin Sheikh / Star Oil Company	261.57	14 years RI, Rs 43.59 million fine, and disqualified from holding public office
5.	Islamuddin Shaikh/Star Solvent Company	183.61	14 years RI, Rs 45.95 million fine, and disqualified from holding public office
6.	Islamuddin Sheikh/Ajma Corp	440.05	14 years RI, Rs 73.34 million fine, and disqualified from holding public office
7.	Muhammad Nawaz Khokhar	491.66	5 years RI, Rs 137 million fine and disqualified from holding public office
8.	Munawar Hussain Sindhu Multan Edible Company	380.47	10 years RI, Rs 55 million fine, and disqualified from holding public office
9.	Munir Ahmed Mian, Central Cotton Mills	306.17	8 years RI, Rs 150 million fine, and disqualified from holding public office
10.	Nooruddin Sheikh brother of Islamauddin Sheikh	278.67	3years R.I. u/s 31-A in absentia
11.	Waqar Akhtar Paganwala, Mass Dairy Pvt (Ltd)	200.97	7 years RI, Rs 50 million fine, and disqualified from holding public office
12.	Air Marshal ( R ) Waqar Azeem, Electronic Information Energy System	29.71	7 years RI, Rs 2 million fine.
13.	Malik Allah Yar Khan Saudi Pak Kalabagh Lifestock Co.	174.61	2 years RI, Rs. 12 million fine
	<b>Total</b>	<b>3,004.83</b>	

## The Research, Analysis and Training Wing (RATW)

2.55 The role of NAB in evolving and recommending policies for countering corruption and corrupt practices has necessitated the creation of a full-fledged wing to undertake research and analysis of emerging issues without burdening the 'on-line' wings engaged in operational activities. Consequently, RATW (headed by a Director General) has been established at NAB headquarters for, inter alia, researching new developments in investigative technology, devising systematic training regimes for enhancing the expertise of NAB officers, developing library facilities, and preparing research papers, including the NAB Annual Report. The RATW is presently in an embryonic stage and is expected to become fully functional once it has its full complement of staff.



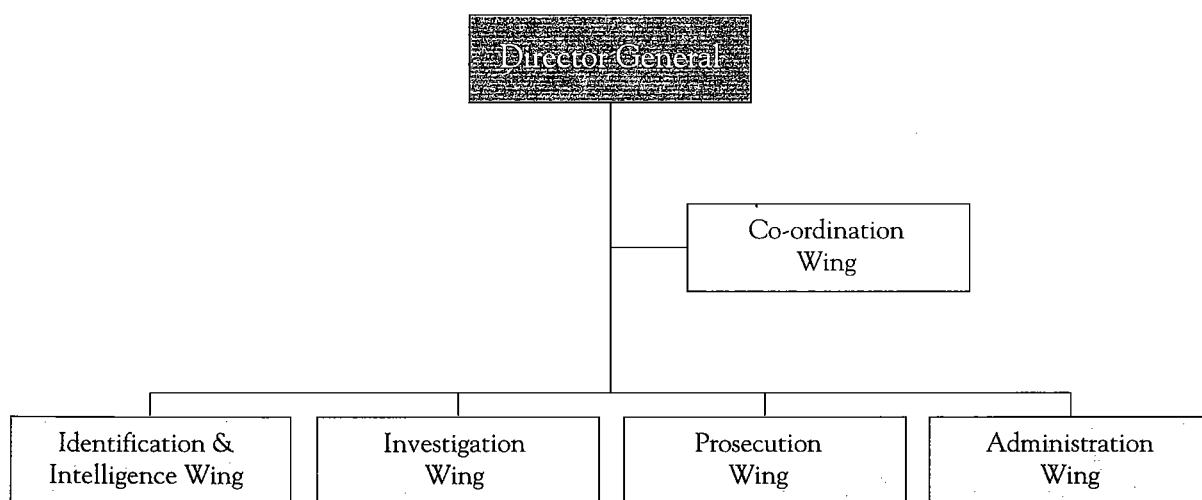
## Chapter 3

### The Provincial National Accountability Bureaus

*To make NAB more effective and to ensure an efficient and closely supervised regime of investigation and prosecution, it was decided to establish offices in the provinces. Accordingly, on 15 May 2000, five regional bureaus were established at Karachi, Quetta, Lahore, Rawalpindi, and Peshawar. The tasks entrusted to them include investigation and prosecution of cases under the NAB Ordinance. Although the Chairman authorizes cases for investigation, yet in cases involving serving bureaucrats in the basic pay scale 19 and below, and certain other categories of public office holders, the authority for initiating investigation has been delegated to the Directors General of the provincial NABs. The authority to issue arrest warrants, sign references, and approve closure of cases, however, has not been delegated; these matters are required to be referred to NAB headquarters. The provincial NABs are giving special attention to institutional corruption.*

*The organogram on the succeeding page provides a visual representation of the structure of provincial NABs.*

## Organization of the Provincial NABs



## National Accountability Bureau, Punjab

3.1 NAB Punjab has faced a major challenge as the province contains the largest bureaucracy and the highest number of public office holders in the country. To date, NAB Punjab has initiated more cases than any other of the Provincial NABs. It has obtained positive results, in particular regarding repayments to affectees of the Co-op scam. The following Tables indicate the performance of NAB Punjab.

**Table 11**

<b>Data of Investigation: NAB Punjab</b>			
<b>Authorized Investigations</b>	<b>Completed</b>	<b>Under Investigation</b>	<b>Closed</b>
467	77	358	32

3.2 The list of successful convictions includes ex-chief ministers, bureaucrats, and businessmen. Some of the high-profile names appear below:

**Table 12**

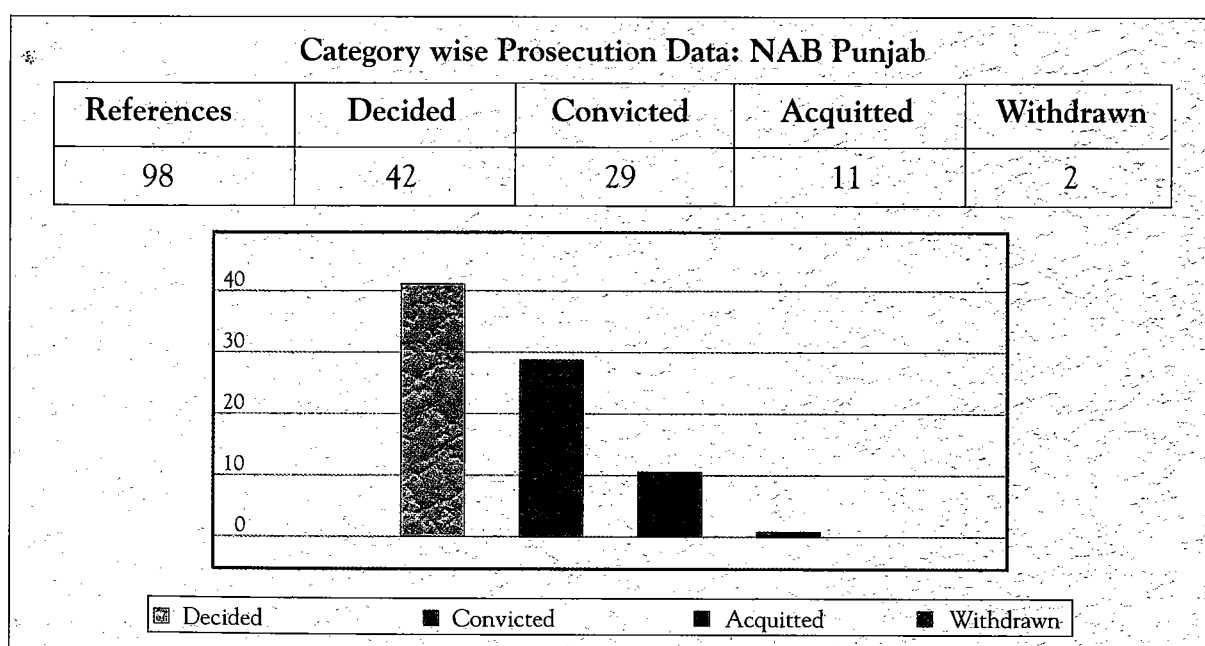
<b>List of High Profile Convictions: NAB Punjab</b>			
<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Details</b>
1.	Manzoor Ahmed Wattoo (2 cases)	ex-Chief Minister	4 and 3 years RI, in each case. Total fine Rs 14 million
2.	Sardar M Arif Nakai	ex-Chief Minister	Returned Rs1.5 million through plea bargaining
3.	Abdul Hameed	ex-member National Assembly	5 years RI, fine Rs 2.5 million
4.	Akbar Ali Bhatti	ex-member National Assembly	6 years RI, fine Rs 11.8 million
5.	Muhammad Riaz Fatyana	ex-member Provincial Assembly	3 years RI, fine Rs 3 million
6.	Ijaz Ahmed Shaikh	ex-member Provincial Assembly	14 years RI, fine Rs 47.7 million
7.	Ch. Shoukat Ali	ex-member Provincial Assembly	3 years RI, u/s 31-A in absentia
8.	Rauf Khalid	ex-member Provincial Assembly	3 years RI, fine Rs 7 million
9.	Ch Akhtar Ali Wario	ex-member Provincial Assembly	3 years RI, u/s 31-A in absentia
10.	Ahmed Riaz Shaikh	ex-Officer Federal Investigation Agency	14 years RI, fine Rs 100 million
11.	Tariq Javed Afridi (2 cases)	ex-Chairman, Cholistan Development Authority	6 and 3 years RI, in each case. Total fine Rs 10 million
12.	Aijaz Ali Pathan	ex Assistant Commissioner Shujabad	4 years RI, fine Rs. 0.5 million
13.	Asif Sehgal (2 cases)	Businessman	10 and 7 years R.I. in each case. Total fine Rs 30 million

Table 13

Important Plea Bargain Cases: NAB Punjab			
S.No.	Name	Designation	Amount agreed (in rupees)
1.	Manzoor Ahmed Wattoo	ex-Chief Minister	12 million
2.	Mehr Khudadad Lak	ex-member National Assembly	15.5 million
3.	Haji Ghulam Rasool Khan	Politician	42 million
4.	Syed Ali Raza Shah	Politician	4.6 million
5.	Mohammad Tajammal Khan	ex-Appraiser, Customs	8 million
6.	Tariq Saeed	ex-Executive Engineer, Zila Council, Lahore	13 million
7.	Talat Mehmood	Businessman	2.5 million
8.	Inayat Ullah	Contractor, Zila Council, Lahore	5.4 million
9.	Rana Mumtaz Noon	Politician	3.5 million
10.	Haji Ghulam Rasool Khan	Politician/Businessman	42.9 million
11.	Aitezaz Ahmad	Businessman	14,3 million
12.	Tahir Mahmood Awan	Businessman	14.3 million
13.	Sami ur Rehman	Businessman	14.3 million
14.	Javed Zia	Businessman	15 million

3.3 The quantum of cases handled by the Prosecution Wing of NAB, Punjab and its updated performance is as under:

Box 5



3.4 A notable achievement of NAB Punjab has been the successful investigation of the co-op scam. NAB headquarters initiated probing this scam in January 2000. In due course, NAB Punjab was entrusted the responsibility of investigating and prosecuting the case. It took matters in hand immediately and proceeded against the top management of major Co-operative Finance Corporations (CFCs), and arrested Chaudhry Tadjamal and Chaudhry Abdul Majeed of the National Industrial Finance Corporation; Sheikh Mansoor of Pasban Co-operative Finance Company; Imtiaz Ali Johari of Services Co-operative Finance Corporation Ltd; and Adil J. Mansoor of Allied Commercial Co-operative Ltd. As a result, NAB made a sizable recovery of the looted funds. The relief to victims was facilitated through a waiver by the concerned banks of the mark up on their outstanding amount, and a loan of Rs 500 million from the government to NAB Punjab to cover shortfalls. There was vide media coverage of the repayments made to the affectees.

3.5 Settlement of the co-op scam necessitated the repayment of Rs 13 billion to eligible depositors. Of this liability, about Rs 9.3 billion is payable to the depositors, while the remaining Rs 3.7 billion is due to the banks. The recoverable assets of all the CFCs, including sale proceeds of properties and loan repayments, approximate Rs 6 billion. Of this sum, Rs 2 billion is due to the banks, leaving a balance of Rs 4 billion for payment to depositors. Consequently, on current estimates only 50 per cent of the depositors money can be paid back. Based on these premises, the payment plan approved by the Co-op Judge of the Lahore High Court is as follow<sup>5</sup>.

**Table 14**

<b>Policy of Co-op money distribution</b>		
<b>For claims upto Rs 50,000</b>	<b>between Rs 50,000 &amp; 100,000</b>	<b>Above Rs100,000</b>
Actual	Rs. 50,000	50% of the amount lost

3.6 Three disbursement ceremonies to repay the victims have been held so far. Payments to depositors, under Rs 2 lacs were made at six centres on 5 July, 11 August, and 13 October 2001. President Pervez Musharaf initiated the first payment on 5 July 2001 in Lahore. Details of the payments made on that occasion appear in the following Table:

**Table 15**

<b>Money distributed to Co-op affectees</b>		
<b>Date</b>	<b>No. of Cheques Issued</b>	<b>Amount (in millions of rupees)</b>
5 July 2001	947	43.40
11 August 2001	2,147	83.85
13 October 2001	3,027	114.10
<b>Total</b>	<b>6,221</b>	<b>241.35</b>

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<sup>5</sup> Also see Box 10 on page 66.

3.7 The partial settlement of claims of the victims of the co-op scam is one of the success stories of NAB, made possible by the dedication and commitment of NAB Punjab. Whilst action has been initiated against important Co-op Finance Companies, other organizations like the Taj Company remain to be tackled so that the hard earned savings of its largely middle-class investors are returned.

## National Accountability Bureau, Sindh

3.8 The province of Sindh has two distinct cultures, urban and rural, both accorded official recognition. Karachi, the urban centre and capital of Sindh province, is the main financial hub and has the largest cosmopolitan population in the country. It is Pakistan's main city on the crossroads of international trade and commerce. In contrast, rural Sindh is feudal in outlook. NAB Sindh, therefore, has to contend with different facets of corruption.

3.9 NAB Sindh made a promising start by successfully prosecuting several high-profile personalities, and its overall performance has been impressive. Its future strategy envisages an enlarged programme of probing public sector organizations where corruption is endemic. It has, to date, initiated significant investigations against certain public sector corporate bodies and their officials including, Pakistan Steel Mills, Pakistan National Shipping Corporation, Pakistan State Oil, Pakistan International Airlines, State Life Insurance Corporation of Pakistan, and Sui Southern Gas Company Limited.

3.10 There are 7 Accountability Courts in the province, located at Karachi, Hyderabad, and Sukkur. Pendency in these courts relates to corruption cases against individuals, private and public sector organizations, and cases inherited from the Ehtesab Cell.

3.11 The investigation and prosecution performance of NAB Sindh is reflected in the Tables 16,17,18 and Box 6.

**Table 16**

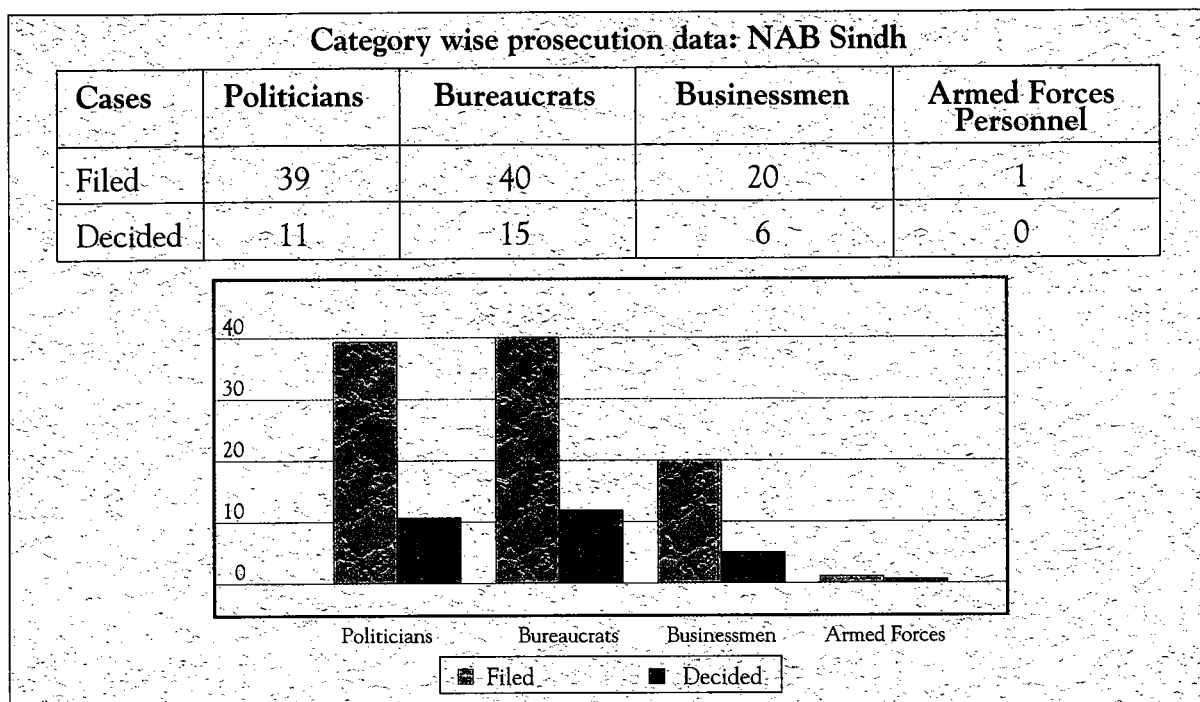
<b>Data on investigation: NAB Sindh</b>			
<b>Authorized</b>	<b>Completed</b>	<b>Under investigation</b>	<b>Closed</b>
254	96	151	7

Table 17

List of high profile convictions: NAB Sindh			
No.	Name	Designation	Details
1.	Syed Abdullah Shah (6 cases)	ex-Chief Minister	3 years RI in each of the 6 cases
2.	Islam-ud-Din Sheikh (3 cases)	ex-Senator	14 years RI in each of the 3 cases. Total fine Rs 63 million
3.	Ch. Munawar Hussain Sindh	ex-Member Provincial Assembly	10 years RI, fine Rs 55 million
4.	Usman Farooqi (2 cases)	ex-Chairman Pakistan Steel Mills	7 years RI, in each case. Total fine Rs 115 million
5.	Khan Mohammad Mehr	ex-Deputy Secretary	10 years RI, fine Rs 140 million
6.	Siddiq-ul-Farooq	ex-Chairman House Building Finance Corporation	5 years RI, fine of Rs 0.2 million
7.	Ch. Mohammad Sharif	ex-Officer Federal Investigation Agency	14 years RI, fine Rs 100 million.
8.	Abdul Sattar Dero	ex-DG Port Qasim Authority	7 years RI, fine Rs 20 million
9.	Ramesh Udeshi (6 cases)	ex-Secretary Land Utilization -Deptt, Sindh	7 years RI in 5 cases. Total fine Rs 6.9 million
10.	Khush Muhammad Bhutto	ex-GM Pakistan Telecommunication Corporation Limited	7 years RI, fine Rs 100 million
11.	Rauf B Qadri (3 Cases)	Banker	7 years RI, in each of the 3 cases. Total fine Rs 22 million.
12.	Abdul Qadir Tawakkal	Businessman	7 years RI, fine Rs 22.380 million
13.	Mian Munir	Businessman	8 years RI fine Rs 150 million
14.	Waqar Akhtar Pagganwala	Businessman	7 years RI fine Rs 50 million



## Box 6



**Table 18**

Important plea bargain cases : NAB Sindh			
S.No.	Name	Designation	Amount agreed (in rupees)
1.	Usman Farooqui	ex-Chairman Pakistan Steel Mills	315 million
2.	Ghulam Akbar Khoso	Businessman	0.4 million
3.	Kishan Chand	Businessman	44 million
4.	Abdul Hameed	Businessman	60 million
5.	Jeevat Ram	Businessman	10 million
6.	Inder Kumar	Businessman	4.9 million
7.	Ishfaq Tola	Businessman	1.6 million
8.	Dr Tariq Ghouri	Contractor	1.5 million

## National Accountability Bureau, NWFP

3.12 NAB NWFP has moved expeditiously, earning encomiums from the public for targeting notoriously corrupt figures in the province. Ex-chief ministers, ex-ministers, senior politicians, businessmen, and bureaucrats were arrested and penalized. Out of 97 cases authorized for investigation, 31 have resulted in convictions. Plea-bargaining has been the preferred option of most of the accused persons. Twenty cases of plea-bargaining have been finalized and a recovery of Rs 392.33 million has been effected. There are other cases being negotiated and, if accepted, could yield recoveries in excess of Rs 180 million. Sentences have been announced in 11 cases by the Accountability Courts, imposing fines up to Rs 646.556 million.

3.13 In addition to targeting corrupt individuals in different professions, NAB NWFP is devoting its energies to investigating scams in which multidimensional corrupt practices have resulted in major losses to the exchequer. The leading scams which have engaged its attention pertain to the Ghazi Barotha Land Acquisition Plan, irregularities in the Provincial Primary Education Project, Pakistan Military Academy Land acquisition scandal, and the corrupt practices of the forest mafia. Three references involving officials and landowners of Ghazi Barotha have been filed in court. They relate to acquisition of land at a total cost of Rs 7 billion against the sanctioned amount of approximately Rs 2 billion. Similarly, six officials of the Primary Education Project have been arrested and references are under preparation. Such high profile cases should serve as a deterrent against organized corruption in the province.

### Overall Performance of NAB NWFP

3.14 The following Tables and Box indicate the workload and performance of NAB NWFP:

**Table 19**

Data of investigations: NAB NWFP			
Authorized	Completed	Under investigation	Closed
98	58	29	11

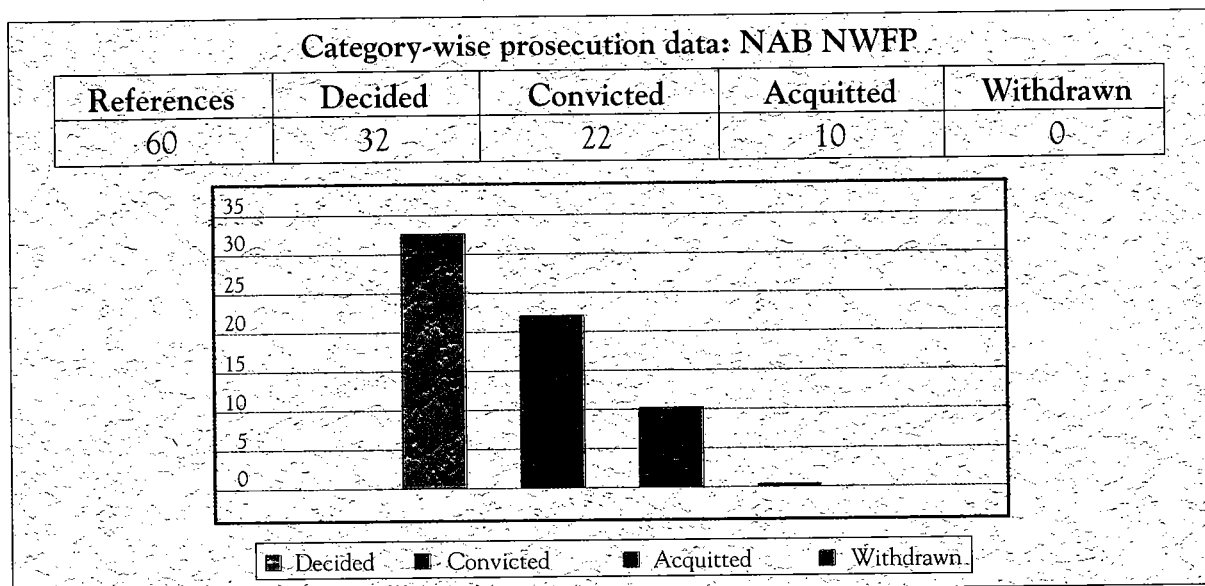
3.15 The following tables include data on prominent public office holders who have either been convicted or plea-bargained:

**Table 20**

List of high profile convictions: NAB NWFP			
No.	Name	Designation	Details
1.	Sardar Mehtab Abbassi	ex-Chief Minister	14 years RI, fine Rs 20 million
2.	Aftab Ahmed Khan Sherpao	ex-Chief Minister	3 years RI, u/s 31-A in absentia
3.	Haji Kabir Khan	ex-member National Assembly	7 years RI, fine Rs 350 million
4.	Ghani ur Rahman	ex-Provincial Minister	8 years RI, fine Rs 20 million
5.	Habib Ur Rehman Tanoli	ex-Provincial Minister	5 years RI, fine Rs 5 million
6.	Naseem ur Rehman	ex-member Provincial Assembly	3 year RI, u/s 31-A in absentia
7.	Khalid Aziz	ex-Chief Secretary	4 years RI, fine Rs 46 million
8.	Zahir Shah	ex-Director General, Peshawar Development Authority	5 years RI, fine Rs 21.5 million
9.	Hamid Maghfoor Shah	ex-General Manager, National Housing Authority	5 years RI
10.	Inayatullah Gandapur	Advocate	7 years RI, fine Rs. 40 million
11.	Javed Alam Khanzada	ex-Secretary, Ministry of Food	14 years RI, fine Rs. 20 million

3.16 Box 7 gives details of prosecutions undertaken by NAB NWFP.

**Box 7**



**Table 21**

Important plea bargain cases: NAB NWFP			
No.	Name	Designation	Amount agreed (in rupees)
1.	Ayub Mohammad Tanoli	ex-Provincial Minister	5.5 million
2.	Mohammad Iftikhar Khan Mohmand	ex-Provincial Minister	8 million
3.	Javed Anwar	ex-Secretary, Workers Welfare Fund	20.5 million
4.	Javed Alam Khanzada	ex-Secretary Food	64 million
5.	Saeed Wazir	ex-General Manager, Pakistan Telecommunications Limited	20 million
6.	Hizbullah Gandapur	ex-Superintending Engineer, Irrigation Department	15 million
7.	Hidayatullah Khan Gandapur	ex-Superintending Engineer, Irrigation Department	17 million
8.	Gulzar Khan	ex-Superintending Engineer, Irrigation Department	10.5 million
9.	Mohammad Baseer	ex-Executive Engineer, Communications and Works Department	30 million

10.	Mohammad Ali	ex-Executive Engineer, Communications and Works Department	20 million
11.	Aziz Ahmad	ex-Executive Engineer, Communications and Works Department	16.5 million
12.	Taj Mohammad	ex-Executive Director, Federally Administered Tribal Area Development Corporation (FATA DC)	14 million
13.	Zahid Arif	ex-Sub Divisional Officer, Communications and Works Department	17 million
14.	Tariq Khattak	Businessman	13.9 million
15.	Dilawar Khan	Deputy Suptd., Customs	55 million

## National Accountability Bureau, Balochistan

3.17 The people of Balochistan have suffered the consequences of poor resource utilization because of the massive corruption of various public office holders in the province. The nature and the number of cases against them have proved that the political and bureaucratic elite openly patronized corrupt elements. Since corruption had made strong inroads into society, it was beyond the competence of the police and local anti-corruption agencies to counter it. It was in these circumstances that NAB Balochistan started functioning. As a result of its operations, several public office holders have been convicted on charges of misuse of official facilities, embezzlement of public funds, and other corrupt practices. Thousands of ghost employees/institutions have been unearthed and massive leakages, running into billions of rupees, plugged. These resources can now be utilized for legitimate development, creating a positive impact on the province

3.18 A breakdown of investigations authorized and their status is as under:

**Table 22**

Data of investigations: NAB Balochistan			
Authorized investigations	Completed	Under investigation	Closed
116	35	71	10

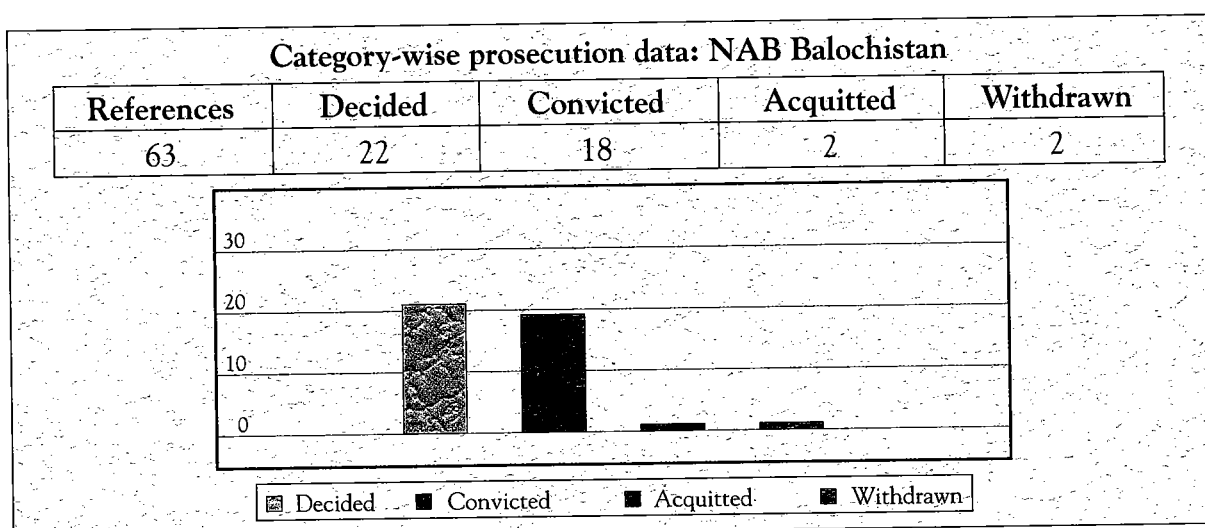
3.19 Box 8 indicates details of references filed and their disposal in the Accountability Courts. A total of 63 references were filed. Of these 22 cases were prosecuted out of which 18 resulted in convictions and two in acquittals; two cases were withdrawn.

3.20 NAB Balochistan has investigated and prosecuted many high profile public office holders and businessmen. Details of these are given in Table 23.

Table 23

List of high profile convictions: NAB Balochistan			
No.	Name	Designation	Details
1.	Abdul Rehman Khetran (4 cases)	ex-Provincial Minister	5 years RI in 2 cases. 9 and 6 years RI in the other 2 cases. Total fine Rs 18 million.
2.	Mohammad Ali Rind (3 cases)	ex-Provincial Minister	3 years RI in 2 cases. 9 years in 1 case. Total fine Rs 60.9 million
3.	Faiq Ali Jamali (10 cases)	ex-Provincial Minister	5 years RI in 4 cases. 3 years RI in 3 cases 9 and 1 year RI in 1 case each. Total fine Rs 63.09 million.
4.	Bahram Khan Achakzai (4 cases)	ex-Provincial Minister	7 years RI in 2 cases. 3 and 2 years in 1 case each. Total fine Rs 33.1 million
5.	Bismillah Khan Kakar	ex-Provincial Minister	3 years RI u/s 31-A in absentia
6.	Atta Mohammad Jafar	ex-Additional Chief Secretary	10 years RI fine Rs 397 million
7.	Capt (Retd) Yousaf Niazi	ex-Secretary Finance	3 years RI u/s 31-A in absentia
8.	Hafiz-ur-Rehman (2 cases)	ex-Secretary Labour	2 & 5 years RI, Total fine Rs 2 million
9.	Abdul Saleem Durrani	ex-Secretary Communications & Works	1 year RI fine Rs 0.1 million
10.	Ali Ahmad Baloch	ex-Secretary Communications and Works	7 years RI fine Rs 50 million
11.	Shamraiz Khan	Contractor, Food Department	3 years RI fine Rs 30 million

Box 8



3.21 During the period June 2000 to November 2001, plea-bargaining recoveries amounting to a sum of Rs 148.4 million have been effected. The accused involved in the cases are identified below:

Table 24

Plea bargain details of NAB Balochistan			
No	Name of the accused	Designation	Amount agreed (in rupees)
1.	Nawab Zulifqar Ali Magsi	ex-Chief Minister Balochistan	50 million
2.	Mir Faiq Ali Jamali	ex-Provincial Minister	0.5 million
3.	Mohammad Ali Rind	ex-Provincial Minister	30 million
4.	Ain ud Din Siddiqui	ex-Chairman, State Petroleum Refinery and Petrochemical Corporation (PERAC)	2.5 million
5.	Qasim Lasi, co-accused in PERAC Case	Contractor	5.3 million
6.	Abdul Saleem Durrani	ex-Secretary Communications & Works.	19.4 million
7.	Dr. Dad Mohammad	Incharge Medicine Supply Depot	17.1 million
8.	Dr. Saeed Ullah	Member Medical Board, Bolan Medical College	0.67 million
9.	Dr. Mehrullah Hashmi	Member Medical Board, Bolan Medical College	0.25 million
10.	Dr. Mehboob Ali	Member Medical Board, Bolan Medical College	0.16 million
11.	Dr. Abdul Rashid Lango	Member Medical Board, Bolan Medical College	0.15 million
12.	Dr. Nisar Ahmed Achakzai	Member Medical Board, Bolan Medical College	0.70 million
13.	Dr. Mohammad Anwar Kurd	Member Medical Board, Bolan Medical College	0.72 million
14.	Salahuddin Kakar	Assistant Director, Passports, Quetta	20. million

3.22 NAB Balochistan has gradually focused on institutional corruption and has been successful in unearthing scams in the departments of Education, Labour, Food, Revenue, Excise and Taxation, the Provincial Accountant General's office, and the PTCL offices in Balochistan.

## National Accountability Bureau, Rawalpindi

3.23 Given the presence of NAB Punjab located at Lahore, the need for NAB Rawalpindi has generally been questioned. The move has however been justified by the operations conducted by NAB Rawalpindi in the Federal Capital and the contiguous districts of Rawalpindi, Chakwal, Jhelum, and Attock. As the Northern Areas also come within its purview, this has provided it with a fairly extensive jurisdiction.

3.24 NAB Rawalpindi has the distinction of handling cases of the political elite of the country. Cases against ex-prime ministers have been filed in the Accountability Courts in Rawalpindi and Attock. Several ministers, prominent politicians and bureaucrats have also been prosecuted.

3.25 The following Table indicates the performance of NAB Rawalpindi:

**Table 25**

<b>Data on investigations: NAB Rawalpindi</b>			
<b>Authorized</b>	<b>Completed</b>	<b>Under investigation</b>	<b>Closed</b>
113	25	72	16

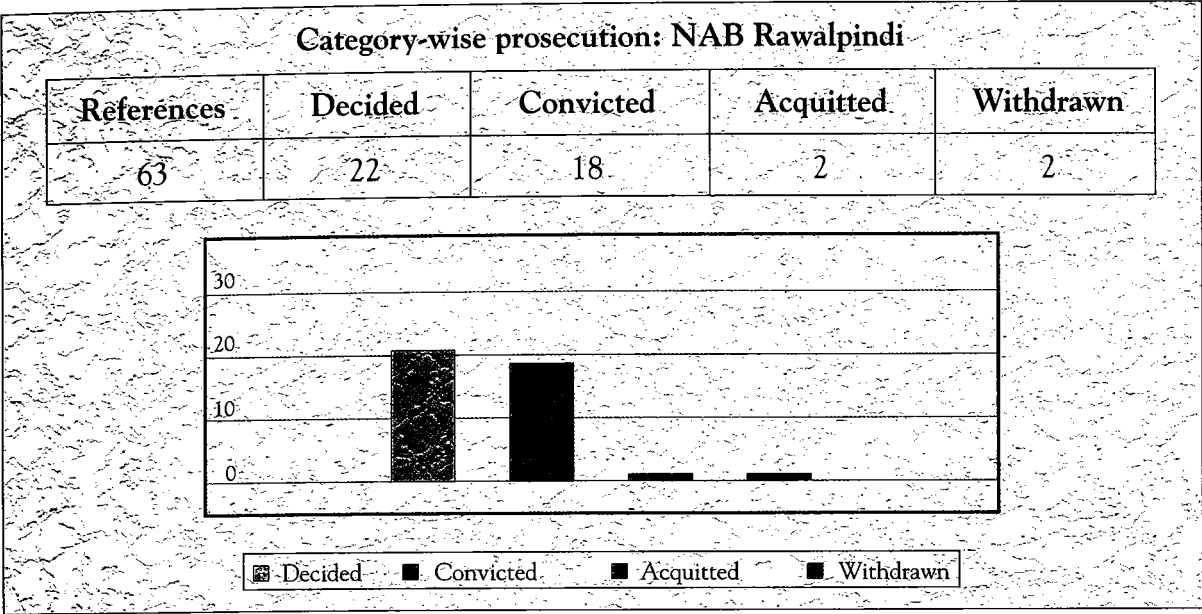
3.26 A list of prominent public office holders prosecuted and convicted by NAB Rawalpindi is indicated in the table below:

**Table 26**

<b>List of high profile convictions: NAB Rawalpindi</b>			
<b>No.</b>	<b>Name</b>	<b>Designation</b>	<b>Details</b>
1.	Mian Nawaz Sharif	ex-Prime Minister	14 years RI, fine Rs 20 million
2.	Benazir Bhutto	ex-Prime Minister	3 years RI, u/s 31- A in absentia
3.	Azam Hoti	ex-Federal Minister	14 years RI, fine Rs. 20 million
4.	Ch. Sher Ali (2 cases)	Ex-Member National Assembly	10 and 5 years RI, in each case. Total fine Rs 20.5 million.
5.	Farooq Sattar	ex-Member National Assembly	14 years RI
6.	Nawaz Khokhar	ex-Member National Assembly	5 years RI, fine Rs 137 million
7.	Ch. Tanveer Khan	ex-Member Provincial Assembly	1 year RI, fine Rs 2.5 million
8.	Aamer Sher Ali	Politician	10 years RI, fine Rs 5 million
9.	C.M. Anwar	ex-Chairman, Pakistan Agricultural Research Council	3 years RI, u/s 31-A in absentia
10.	Mohammad Hashim Babar	ex-Director, Military Lands & Cantonments	3 years RI, fine Rs 2 million
11.	Brig (Retd) Imtiaz Ahmed	ex-Director, Intelligence Bureau	8 years RI, fine Rs 7 million
12.	Mr Amin Jan	ex-GM, Pakistan Telecommuni- cation Company Limited	5 years RI, fine Rs 15 million
13.	Mr Sadaqat Saeed	Contractor	8 years RI
14.	Air Marshal (Retd) Waqar Azeem	Businessman	7 years RI, fine Rs 2 million

3.27 The following box indicates the data of prosecution cases filed by NAB Rawalpindi:

Box 9



3.28 Consistent with the change in the gradation of accountability, NAB Rawalpindi has also shifted its focus towards institutional corruption. In collaboration with the Central Investigation Team, NAB Rawalpindi is investigating cases against officials of CDA and PTCL for misuse of authority and corrupt practices<sup>6</sup>. It has achieved satisfactory results in pursuing these objectives. Corrupt elements from all segments of society have been targeted. The activities of NAB Rawalpindi have been somewhat hampered on account of limited investigation facilities. With the induction of additional investigating staff, it is expected to increase its output significantly.

<sup>6</sup> For details see section on Central Investigation Team (CIT).





## Chapter 4

### Administrative Support System

*A functional administrative support system was hastily put in place to enable NAB to become operational immediately on its formation. Despite the dearth of time, the initial skeletal structure was dynamic enough to ensure smooth functioning. Subsequent improvements in selection of personnel and equipment were effected, as NAB kept expanding. The overall administrative structure includes a well-developed information management system, a media section, and a general administration department that caters for all administrative matters. NAB has developed an incentive-based environment for its officers and staff, and rewards based on efficiency are a regular part of its management system. Efforts to develop a more efficient administrative support system continue. Computer-based links (known as Wide Area Network or WAN) with provincial NABs and with other government agencies have been developed. Plans are also in hand for implementing a systematic and task-oriented training regime.*

## **General Administration Wing (GAW)**

4.1 A Director Administration heads this Wing and is assisted by four Deputy Directors. GAW is responsible for carrying out administrative functions, including staffing, budgeting, maintenance of transport, and provision of ancillary services. The original strength of NAB was 402 posts; however, the Government approved a revised proposal of 800 posts for both the headquarters and Provincial NABs. The total budget for the year 2000-01 was Rs 226 million.

## **Information Management System (IMS)**

4.2 The NAB receives several thousand complaints. Every inquiry and investigation involves the collection of a wide array of data and a thorough probe within an optimal time period. The IMS within NAB assists the process by systemizing data and allowing for improved time management. The IMS comprises two components: the software developed for storage and retrieval of information; and the installation and management of a computer network to facilitate communication with concerned offices.

4.3 The importance of IMS was duly recognized and a team of computer-literate handlers was posted to plan a computer-based management system. Starting from scratch this team worked on software development and the installation of a Local Area Network. One of its first actions was to establish a website and an email address for NAB. These steps have facilitated unhindered networking between NAB and the general public. The website address is [www.nab.gov.pk](http://www.nab.gov.pk).

4.4 The initial software was suitable for the requirements of bank default cases. Once this was in place, the earliest input of information came from the State Bank of Pakistan. Current NAB data requirements cover a broader range of subjects necessitating the two databases (mentioned below) that are presently available to users:

(i) **The Support Data Base (SDB).**

This is the expanded form of the initial database developed by the IMS. It has the capacity to receive data from informants in addition to the State Bank's inputs. Data is also procured from several government departments.

(ii) **The Operational Data Base (ODB).**

This facility monitors the progress of investigations, inquiries and prosecutions and is additionally geared for statistical analysis and provision of decision support to the command hierarchy. Both databases are accessible to the Provincial NABs.

## **Local Area Network (LAN) and Wide Area Network (WAN)**

4.5 In addition to databases, Local Area Networks are also operative at both NAB headquarters and at the Provincial NABs. The LAN started with 12 computers linked to each other; but the number has since increased to 36 interlinked computers.

4.6 Expansion of the accountability network has required a corresponding updating of the IMS, resulting in the installation of a Wide Area Network which provides electronic linkage between all the Provincial NABs and NAB headquarters on the one hand, and amongst all Provincial NABs on the other. The establishment of WAN has been possible with the assistance of Pakistan Telecommunication Co. Ltd. (PTCL) operating in conjunction with the National Telecom Company. NAB is one of the first official agencies to have installed such a system.

4.7 WAN is a relatively new technology; the Ministry of Science and Technology, therefore, planned courses and trained 17 officers and 30 staff members of NAB. Ten different courses were conducted for the purpose over a period of three months.

### **Future Perspective**

4.8 Experimentation for enhancing the system's capabilities for better addressing the requirements of accountability continue. Expansion of WAN is an important aspect of this scheme. The plans in hand also encompass linkages with other government departments in order to provide NAB with direct access to their data. Such increased accessibility will improve both time management and the quality of investigations. Improvements in the available software are also ongoing. A major objective is making software more user-friendly and professional.

4.9 The rotation of officers, and the speed of developments in Information Technology requires constant training sessions; a purposeful training regime is therefore under planning. This will become a permanent feature of the system requiring all incoming officers to undergo such training.

### **Media Wing (MW)**

4.10 The success of NAB's drive against corruption depends to a large extent on public perception of the effectiveness of the accountability process and NAB's professionalism pertaining thereto. Accordingly, a campaign providing a realistic view to the public of the working of NAB is being pursued by the MW. Such awareness is expected to deter the corrupt and infuse confidence in the general public. The MW also collaborates with various NGOs for fostering public opinion against corruption by means of multi media transmissions.

4.11 The initial aim of the MW was to generate an awareness of the impartiality of the accountability process. It was important that accountability should not be perceived as an exercise in political victimization. This was a difficult task, given the general mistrust of previous governmental accountability schemes. It redounds to the credit of the MW that it successfully promoted the work of NAB by helping to project its image as a judicious body, unaffected by political affiliations or social pressures. That it has managed to portray such an image despite the existence of a critical press affirms the success of its campaign

4.12 After the achievement of its initial objectives, the MW has moved on to developing a comprehensive strategy that envisages the following initiatives:

- Building public confidence in the accountability process through maximum transparency and intelligent projection of accountability activities;
- Delivering a deterrent message to corrupt elements in order to goad them toward ethical conduct;
- Encouraging community participation by involving the press, citizens forums, and NGOs in the anti-corruption drive;
- Promoting international acceptability of the accountability process being conducted in Pakistan by sharing information with interested parties and participating in international forums.

4.13 To achieve these targets, all possible avenues are being utilized. These include television, radio, the internet, and the print media. Conventional display materials are supplemented with programmes on anti-corruption on radio and television for wide audience reception. Traditional methods have also been employed, including briefing journalists, editors, and writers on the performance of NAB. These steps are supported by the timely participation of the Chairman and other NAB officials in seminars and symposia on the subject of anti-corruption.

4.14 As part of its long-term strategy, the MW plans to launch a self-sustaining campaign for promoting a positive image of anti-corruption agencies working in tandem with citizen watchdog bodies. Such a breakthrough should promote NAB's progression to becoming an acceptable household name.

## Capacity-building

4.15 In view of the dimensions of the phenomenon of corruption in Pakistan, anti-corruption institutions in the country require improvements in both quantitative and qualitative terms. Even the current NAB dispensation with its successful institutionalization is not equipped to cope with all the requirements of anti-corruption operations in the country. The NAB complex needs extensive capacity-building measures before it will be capable of containing nation-wide corruption.

4.16 Investigation of white-collar crime requires expertise in financial forensics, criminal law, and other procedures. At present, no specific entity in Pakistan combines all these skills. Therefore, alongwith the capacity building measures for the core anti-corruption organizations such as the Federal Investigation Agency (FIA) and the Provincial Anti-Corruption Establishments (ACE's) currently underway, other departments responsible for monitoring and auditing public offices should also be strengthened.

4.17 To improve the expertise of investigating personnel, NAB conducted four training courses during the period July 2000 to July 2001. Three courses were organized on white-collar crime and a seminar arranged in collaboration with the United States Federal Bureau of Investigation (FBI). Britain's Department For International Development (DFID) financed and conducted one of the courses. A total of 184 personnel of various categories drawn from a variety of departments viz the intelligence agencies, Police, Central Board of Revenue, State Bank of Pakistan, and NAB attended these courses. The courses were tailored especially to provide the participants with an insight into the intricacies of white-collar crime, and apprise

them of advanced techniques employed in combating such criminality. The subjects offered included:

- Corruption and maladministration in public and private sector organizations;
- Intricacies of money laundering and the methodology for exposing the same.
- Forensic techniques/tools for the investigation of cyber crime;
- Corruption in financial institutions, banks, and insurance companies;
- Investigation management, including uncovering financial crimes, assets tracing, evaluation of criminal intelligence, exhibit handling, interviewing, and statement recording;
- Advanced forensic accounting, investigation and analysis of financial evidence;
- Assistance in legal proceedings, including testifying in court as an expert witness and preparing visual aids to support trial evidence;
- Accessing legal assistance options available in different jurisdictions pursuant to or outside the ambit of bilateral international agreements;
- Procedures required in obtaining international co-operation, evidence, seizure of assets, and the extradition of suspects;

4.18 Based on the experience gained from the aforesaid courses, NAB is in the process of establishing a systematic training regime covering specialized techniques for detecting white-collar crime.

4.19 Being mindful of the fact that efficiency enhancement is directly dependent on effective incentive structures, NAB recognizes the merit and performance of its personnel by rewarding them for outstanding work. Recently, two officers of the Banking Wing (BW) were selected for meritorious awards with the head of the BW being decorated with the Sitara-i-Imtiaz while another BW member was granted the Tamgha-i-Imtiaz. Furthermore, the ex-Chairman NAB was awarded the Hilal-i-Imtiaz.

4.20 On the operational side, investigating officers of Provincial NABs were issued commendation letters, along with cash rewards of Rs 10,000/- each. In all there were 57 recipients. The break-up is as follows:

**Table 27**

Data of rewards			
Office	No. of rewards	Office	No. of rewards
NAB Headquarters	12	NAB NWFP	3
NAB Punjab	9	NAB Balochistan	9
NAB Sindh	11	NAB Rawalpindi	13

Although the financial rewards comprise modest amounts, they are nevertheless regarded as prestigious awards that encourage achievement-oriented employees and inspire healthy competition in the workforce.



## Chapter 5

### Accountability Problems and Prospects

*Corruption in the post-independence period received its first major impetus from the 'claims' system established for the settlement of refugees from India. As the administrators exploited the opportunities afforded by an over-regulated political economy, the political will weakened and the elite participated or acquiesced in the practice of enrichment at the cost of the state. This trend continued till the writ of the state withered away. Additionally, inflationary trends in the country, especially after the 1980s, eroded the salary of government officials, resulting in 'subsistence corruption'. Unfortunately, corruption has not been confined to a specific elite or stratum of the administrative set-up.*

*The arrival of the businessman-politician introduced new forms of 'financial crimes' creating hardship for many, examples being loan defaults and the co-operatives scandal. While these issues are discussed in the earlier part of this chapter, the later part analyses issues that involve trans-border actions. The concept of money laundering, methods of siphoning illegal wealth overseas, and the role of Offshore Financial Centers (OFCs) is discussed with emphasis on the significance of international co-operation in the fight against corruption. Finally, a critical analysis of NAB is followed by a discussion on the ongoing reforms, along with proposed changes.*

## Corruption in Pakistan: A Diagnosis

***No system of government and administration is immune from corruption by those intent on abuse of power<sup>7</sup>.***

5.1 In Pakistan there is a consensus that the corruption gradient has been on the rise ever since the birth of the nation, with the sharpest increase coming in the 1980s. This chapter attempts to analyse the factors responsible for this climb. The analyses are largely based on NAB's own experiences.

5.2 There is general agreement amongst experts that the post-independence settlement of refugees, and issuance of import licenses and transport permits provided the initial impetus for mega-corruption. For migrants from India, the government developed a system of claims, whereby the former could obtain property in proportion to possessions abandoned in India. The requirements were met through allocation of properties, termed 'evacuee property' left behind by emigrants. Many citizens filed false claims and fraudulently obtained huge properties by greasing the palms of the concerned officials. Thus corruption seeped into Pakistan society surreptitiously, spreading its tentacles everywhere.

5.3 From the inception of the country, interventionist economic policies have been pursued, creating market distortions. Discretionary powers encouraged opportunities for corruption and misuse of authority by public office holders. This trend continues today. Apart from a period of greater openness after 1987, a large number of regulatory practices are still in place. Market regulations encourage rent-seeking opportunities: many cases under investigation, such as the allocation of liquid petroleum gas quotas and textile quotas, indicate how discretionary powers tempt public functionaries into criminal acts.

5.4.1 Inadequate compensation to civil servants is another important contributory factor to corruption. This is especially true of non-gazetted cadres, though the officers' class is equally afflicted. The 1980s and 1990s, particularly the post-Gulf War period, rapidly eroded the purchasing power of the earnings of government servants. In contrast, the same period saw the expansion of a corporate culture in the private sector that encouraged internationally competitive market-based salaries. The 'demonstration effect' induced by these salaries and the remittances from Gulf countries aggravated the situation compelling public functionaries to resort to corrupt practices 'to keep up with the Joneses'.

5.5 Excessive aid flows over the years and the reluctance of international funding agencies to tackle corruption also contributed to a rising corruption curve. A hierarchical structure of corruption established itself within each project undertaken by such easily available funds. Officials of donor agencies were co-opted in some cases. Most studies on corruption emphasize the possibility of embezzlements in infrastructure projects, and Pakistan is no exception. Unfortunately, even the social sector projects have been victims of graft, as illustrated by the

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<sup>7</sup> Statement from the 'Programme of Action Against Corruption' developed by the Committee of Ministers of the Council of Europe.

many cases currently being investigated by NAB. Unlike projects that create physical assets, the social sector programmes are directed at less visible outputs. This creates opportunities for corruption, since the results are not subjected to direct public scrutiny of the funding agencies. A large number of projects in the social sectors have been mere exercises in paper pushing.

5.6 In the 1980s, Pakistan received a major portion of its aid in the form of grants. This period of high external inflows provided opportunities for major structural changes since the economy had a cushion to fall back upon. Unfortunately, the easy availability of resources led to complacency and the much-needed structural reforms that could have been pursued in this period were not undertaken. In fact, these funds served to line many a pocket.

5.7 Rent-seeking in land acquisition for infrastructure projects has been a major source of corruption. Exorbitant valuation with mala fide intent has led to huge increases in project outlays. The Ghazi Barotha Hydropower Project and the Peshawar Ring Road are classic examples of this syndrome. Collusion amongst landowners and revenue officials not only diminished the project quality, but also resulted in direct losses to the exchequer.

5.8 Crime-wise analysis reveals that the worst form of corruption in the country has been the financial scams that have severely damaged public trust. Foremost amongst these were the co-operatives scandal, the land scams, and default on funds borrowed from financial institutions.

5.9 Perpetrated in the largest province of the country, the co-op scandal has shaken the confidence of the small depositors. In a country with a low savings rate, such incidents have long-term economic implications as the national tendency towards risk-aversion results in lower levels of savings and investments (see Box 10).

### Box 10

#### The Co-operatives Scam

Perhaps the most cruel crime, in terms of its direct social impact, was the fraud by the owners of Co-operative Finance Corporations (CFCs). At the time of the dissolution of 102 CFCs, their managers owed Rs 13 billion to 266,000 depositors. The bulk of the affectees were pensioners, widows, and other individuals from the middle class. A large number have not been returned their money. The scam underlines the potential dangers of unbridled financial institutions. CFCs emerged as a result of the Federal Co-operative Banking Act of 1977, meant to channel savings from remittances being sent by Pakistani workers from the Middle East. Right from their inception, the CFCs violated a number of regulations: deposits were collected from geographical locations beyond their territorial jurisdiction; interest payments were made to depositors in accordance with banking practice, that is in excess of market rates; and investments were made in real estate. Other financial irregularities were also committed: loans were issued without adequate collateral (sometimes under fake names); and audits were manipulated. Given the unsustainable interest rates and the malpractices, the early demise of the CFCs was assured. Deposits were defaulted upon and the management fled.

5.10 Loan default constituted the second category of trust breaching crimes. The vulnerability of large public financial structures created as a result of the nationalization policies of the 1970s



was exposed in the 1980s and the 1990s. Under direct political control, financial prudence gave way to political pressures and bribes. The capped interest rates provided an opportunity for rent-seeking and soon there was a queue for loans. Political clout and ability to bribe became the criteria for loan issuance. Once objectivity was lost, loans were given to individuals with none or very few skills required for running an industrial unit. Simultaneously, inflated valuation of collaterals and kickbacks in procurement of machinery became the norm. Default was inevitable. Since loans had already been issued to influential individuals, they 'managed' rescheduling and write-offs. The ease of relief tempted others to join in and soon even some well-established and respected business houses defaulted.

5.11 An important factor in such cases has been a weak regulatory system. The State Bank of Pakistan was unable to prevent such disasters. One cause was the Bank's inability to act independently of the Ministry of Finance. The political controls over the central bank ensured that the whole financial system was exposed to the whims and vested interests of the ruling elite. Another factor was the entry of businessmen into the political arena. Having obtained direct access to the corridors of power in the 1980s, the first Prime Minister from the business community was elected in 1990. Unfortunately this newfound power was not utilized for broad-based policies aimed at eradication of existing evils. Newer and more sophisticated methods of graft were introduced and political bribes attained higher levels. State positions were utilized for pursuing personal business interests. Financial institutions were completely at the mercy of the ruling clique of businessmen who did not waste the opportunity to exploit the situation to their advantage.

5.12 The arrival of the businessman-politician also saw the tax authorities being severely undermined. Tax evasion, already high in the country, reached new levels as laws were introduced to tie down the tax collectors. In the guise of curbing discretionary powers, tax collectors were stripped of the essential means of detecting evasion.

5.13 Politicians are not and were not the sole culprits. Corruption is invariably a collusive form of activity premised on a nexus of the elites, e.g. politicians, bureaucrats, businessmen (including foreign companies) and technocrats. Its eradication however is essentially an issue of political will. Pakistan has not been an exception in this regard. Powerful bureaucrats advised on corrupt practices and devised rent-seeking exercises on an immense scale. As partners of the political masters, they received more than an adequate share of the loot for their services. It was the colluding officers who assisted in the politicization of the civil services, thus ushering in the subsequent loss of professionalism.

5.14 Delivery failures of civil institutions are, to a great extent, attributed to flawed political inductions at lower levels. Most of the inductees at these levels had obtained their posts through payments to legislators. Their first target on posting was the recovery of the money spent on acquiring their positions. With the backing of the same politicians who had gotten them jobs, any punitive proceedings against them failed to materialize. The effect of their activities was infectious. The result was reduced efficiency and increased corruption. Some of the more daring of these functionaries accumulated assets worth millions of rupees. NAB has taken up several such cases.

5.15 The biggest factor leading to the rot in the last decade has been a complete breakdown

of deterrence structures, including the internal accountability structure of government departments and anti-corruption organizations, thereby resulting in delivery failures and institutional collapse. While the detection and investigation aspects are being improved, the need for judicial reforms, especially at lower levels, is important. Pakistan will not be the first developing country to undertake such reforms in recent times. Almost two dozen countries have accepted aid for this purpose from the World Bank in recent years.

5.16 While corruption in the country has largely been financially motivated, the sociological factors responsible for it cannot be ignored. Favours given on the basis of ethnic, familial, religious, and other social considerations are not uncommon. The expectations of these subgroups have relegated the legal framework to secondary status and a large number of public office holders have failed to stand up to the resultant pressures.

5.17 It is interesting to note that across all levels of the corrupt, the accumulation of assets of all types and the ostentatious display of this wealth is a common factor. In a number of cases, very little effort was made to use effective 'benami' techniques. By the second half of the last decade, complacency amongst the corrupt had become endemic as no possible deterrence structure was visible on the horizon. Thus the creation of NAB and its immediate actions caught a large number of those whose corruption knew no bounds, off guard.

## Trans-border Impediments

5.18 In its war against corruption, NAB has faced a number of problems, but none as intractable as the issues that require trans-national interaction. Efforts to trace and repatriate ill-gotten money and extradite the corrupt from abroad are difficult on two counts: first the requirements of the legal and judicial framework of foreign states; and secondly the lack of treaties signed by Pakistan dealing with such issues. Pakistan has extradition treaties with only twenty-six countries. Where treaties exist, the procedures are cumbersome and expensive. Legal requirements vary across countries and even in those cases where the basic requirements of the local laws have been fulfilled various lacunae create impediments in the repatriation of the accused and the recovery of their ill-gotten wealth.

5.19 Money laundering is a wide-spread activity that has been the focus of international attention in recent years, mainly due to the drug trade, and lately because of terrorism. Ill-gotten wealth is whitened through this process. A number of devious financial strategies are employed. A typical modus operandi is the opening of a fake business and attributing the illicit wealth to business gains. The tax paid thereon and the returns filed legalize the money. A preferred and safer option is to siphon the money overseas. A number of countries in the world operate as 'Offshore Financial Centres' (OFCs). These OFCs provide incentives to non-residents for investment, which include minimal or no scrutiny of the client at the time of investment or later<sup>8</sup>, tax incentives, and a set of very stringent privacy laws. Some of these centres go beyond receipt of dirty money and also offer sale of citizenship, and refuge for absconders in a safe haven.

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<sup>8</sup> Countries with stricter regulations have a mandatory reporting system based on the dictum, 'know your client'. For example in the United States of America all cash deposits above US\$ 10,000 have to be reported along with any other transaction that the banker may consider suspicious.

5.20 Another interesting method of laundering money is by creating dummy corporations in tax havens and depositing money in bank accounts opened in the dummy corporate names. Generally, even the company directors of such corporations use aliases. This method has been adopted by several individuals in Pakistan, as it facilitates the retention of funds abroad under assumed names.

5.21 In Pakistan, the traditionally favoured method of transfer of funds abroad is by recourse to 'hundi'. This is a time-honoured method employed by traders, and others in the subcontinent for transferring money across geographical distances. The system is very simple: it is based on operatives in different countries acting in collusion. Money paid to the local member of a syndicate can be received from his counterpart abroad. Sometimes, it is not even necessary to travel as the money is deposited into an offshore bank account. There is very little, if any, documentation involved. The system is mainly in use between the Gulf region and South Asia. It is, of course, eminently suited to the needs of emigrant workers as it facilitates the timely remittance of wages to their families back home without the paper work and delays inherent in adopting the official channels of transfer. However, such remittances are not the only transactions processed via 'hundi'. The hundi operators also service money transfers of all types of questionable parties as there are no regulatory checks on the system. In fact, the larger the amount under transfer the greater the commission of the operator. This system is responsible for facilitating the transfer overseas of the bulk of corruption money, thereby depriving the country of much needed foreign exchange and capital resources.

5.22 Recognition of the Third World's woes due to corruption has come late and the full significance has not been fully realized by the donor agencies. Until recently, bribes by way of commissions paid to Third World functionaries had no criminality attached to them in most western countries. These payments were allowed as deductible expenses by the tax authorities. Latter day recognition of this form of corruption as an impediment to global economic growth has eroded such practices to an extent, but the journey has only just begun. While the United States of America had taken action as far back as 1977 with its Corrupt Practices Act of 1977, the Organization for Economic Co-operation and Development (OECD) countries accepted the principle only in 1997, when they agreed on the text of the 'Convention on Combating Bribery of Foreign Public Officials in International Business Transactions'. Notwithstanding the Convention, international co-operation in this area is in an embryonic stage, as most of the signatory countries have not so far incorporated the requisite anti-corruption measures in their respective legal systems. However, as the world economy opens up there is growing awareness for the need for mutual assistance in monitoring international financial systems.

5.23 Measures for the protection of the right of privacy of individuals and safeguards for national financial systems are important components of any civilized set-up, but then so is the responsibility for eradication of global corruption. A major component of assets outflows from Third World countries are funds of illicit origin, and it is therefore, the right of the concerned people to demand their return. Moreover, in keeping with this spirit and in the interest of justice and fair play, the track record of the more notorious tax havens requires concerted global action against them. The President of Pakistan in his speech at the 56<sup>th</sup> session of the United

Nations General Assembly in September 2001, highlighted the problem when he observed: “the bigger tragedy of the Third World is that their rulers, together with their minions, plunder the country’s wealth and are afforded easy access and safe havens to stash away the loot in the First World”.

5.24 Ever since its inception, NAB has pointedly emphasized the need for increased multinational interaction to combat corruption. Pakistan has for this purpose participated in several international programmes, the most recent being the third ADB-OECD Conference in Tokyo held in November 2001. The conference outlined the goal of policy reforms which interested governments of the Asia Pacific could commit themselves to in order to fight bribery and corruption. It focused on measures including disclosure of information, integrity in politics, corporate governance, and the role of the judiciary, besides other priority actions required to be taken by concerned countries. The Pakistan delegation supported the idea of seizure and confiscation of proceeds of corruption and of their repatriation to the country of origin.

5.25 Investigation into the financing of terrorist acts perpetrated in the USA on 11 September 2001, has awakened the world, inter alia, to the need for transparency in, and sharing of information on international monetary transactions. That event clearly illustrated how criminal elements had exploited the international financial system for terrorist purposes whilst the international community had apparently been unaware of these manoeuvres. It is therefore imperative to adopt foolproof measures that (i) preclude the concealment of illegal funds, (ii) promote the discovery of ill-gotten wealth and (iii) prevent the movement of money for financing criminal activity. Till such time as this takes place, dirty money will continue to find immense space to hide in the world’s financial system.

## **Future Strategy**

5.26 The failure of accountability structures in the country was symptomatic of the ineffectiveness of the writ of the state. When the present regime took over, the state’s delivery systems had been enfeebled. Years of poor management and corruption had taken their toll. Loopholes in the legal framework and weaknesses in administrative structures were fully exploited. At times, the archaic functioning of the institutions was itself responsible for corruption. The new regime decided that it was time to return to the drawing board.

5.27 With the promulgation of the NAB Ordinance, the basis of a sound accountability system has been laid. Consolidating the base, strengthening the anti-corruption drive at macro levels, and increasing societal awareness and involvement are among the short term objectives. The growth of NAB and ancillary organizations will hopefully be supplemented by appropriate governmental policies devised for improved governance. These policies and the development of accountability systems are complementary. The eventual transformation of the governance environment will depend upon the success of the whole package, for in the long run, no single action will achieve much in isolation.

5.28 Anti-corruption measures fall into three broad categories: prevention, monitoring, and combating. The restructuring of the administrative hierarchy and political devolution are exercises in the preventive sphere. The Auditor General and the Ombudsmen perform

monitoring functions at the federal and provincial levels. The State Bank of Pakistan monitors the activities of the banking and financial sector, while the Securities and Exchange Commission undertakes the monitoring role in the corporate sector. Combating corruption within the ambit of an accountability forum is the task of the anti-corruption agencies and the judicial system.

5.29 Administrative reforms are already in place. The National Reconstruction Bureau (NRB) is preoccupied with important programmes like civil services reform and devolution of power schemes. These are aimed at improving delivery systems by helping to prevent corruption at the micro and macro levels.

5.30 The government promulgated an Ordinance on 17 May 2001 strengthening the Office of the Auditor General of Pakistan. As a result of this, the accounting functions have been bifurcated from the auditing activities and now placed under the Controller General of Accounts. Furthermore, the department of the Auditor General of Pakistan has moved beyond the traditional approach of transaction auditing by introducing newer audit concepts such as certification audit, EDP audit, system-based audit, and environmental audit. For fulfilling his mission more effectively under the new Ordinance 2001, the Auditor-General is constantly on the look-out for better auditing techniques, new avenues of auditing and the use of information technology.

5.31 The State Bank of Pakistan has also been given autonomy and structural reforms are underway. Another important monitoring structure is the office of the Ombudsman. It plays a significant role in arbitrating between citizens and the government in administrative matters. Alongwith the Public Accounts Committee, it can serve as an important conduit between the Government and the anti-corruption organizations.

5.32 The accountability system in the country is a three-tiered structure. The first tier of the anti-corruption edifice is the internal mechanism inherent in every government department. The provincial anti-corruption establishments and the Federal Investigation Agency form the second tier, and NAB constitutes the third tier. Ideally, the internal accountability systems should take care of the bulk of the corruption related matters. NAB should be involved in cases with macro level impact, with the FIA and ACEs taking care of the rest.

5.33 The failure of the first two tiers resulted in the formation of a tertiary tier in the form of the Ehtesab Commission, followed by the Ehtesab Cell, and later NAB. The workload of NAB is proof of the ineffectiveness of the first two tiers. With the initial impact of NAB creating a successful deterrence, it is important to rationalize other accountability structures. Development of formal protocols for demarcation of cases across tiers is essential for enhancement of efficiency. In the present dispensation NAB is over-burdened, and has, for this reason, shifted its focus from individual to institutional corruption. This re-emphasized policy represents a major plank in NAB's institutional cleansing policy. For attaining better results, however, the role and the related scope of duties of the FIA and the ACEs need to be modified to comply with the NAB programme.

5.34 An important component of future strategy is capacity building. Investment in human resources for improved professionalism as well as development of data and information-sharing mechanisms are part of this agenda. Towards this end, NAB has devised plans to recruit and

train its own personnel. However, uniform training and recruitment systems need to be introduced in all related tiers so as to develop harmony.

5.35 In addition to administrative reforms, a review of the legal framework based on the concept of administrative courts should be part of the policy reform package. A large number of laws in the country have been exploited by the corrupt. An area in which far-reaching changes are required is 'benami' ownership transactions. Retaining wealth under the name of another is one of the easiest ways for the corrupt to hide and secure their ill-gotten gains. To facilitate the process of unravelling such transactions and tracing out the true owners, amendments may have to be made in the Transfer of Property Acts, the Contract Act, and in the law of 'benami', transactions.

5.36 The development of a national vigilance system is vital for inculcating civic awareness. Two important components of civil society that play watchdog roles are the media and NGOs operating at the grass-roots level. Investigative journalism is traditionally viewed as an effective medium for exposing corruption, therefore, a liberal media policy is advisable to allow requisite leverage to journalists. The 'grassroots' NGOs can also play a vital role in diagnosis and strategy development. NAB has therefore developed linkages with several such NGOs for feedback and assistance in accountability policy formulation.

5.37 The inception of NAB has brought about an attitudinal change in society, but given the strength of the ethno-linguistic and other social subgroups, the impact has been minimal. Unless these subgroups ostracize the corrupt, irrespective of their linkages to the groups, and society as a whole learns to accept the superiority of the legal framework, progress cannot be made. NAB has built upon its interaction with the body politic through an extended awareness programme, realizing that eventual reduction or elimination of corruption will depend on collective action, which in the ultimate analysis requires rejection of the corrupt by society.

5.38 Although accountability is the central pillar of government policies aimed at improved governance, eventual success in accountability will depend on reform of civil services, devolution of power, database development for increased information, poverty alleviation, and improved literacy rates. NAB's watchdog role is vital to the success of these policies and it should therefore continue to work towards the realization of these objectives.

5.39 NAB has commenced work on the formulation of an integrated national anti-corruption strategy. The project is designed to gather evidence on corruption and propose policy options to the government for minimizing the same. Once implemented, the strategy is expected to further strengthen and lend credibility to the accountability process in the country.

5.40 At the international level, NAB has proposed an 'All Crimes Treaty' with the UK and the USA. It will, inter alia, focus on money laundering, drug trafficking, and terrorism. It will also include specific provisions for repatriation of illicit monetary gains. The UK government has declared a joint legal/judicial co-operation working group for bilateral co-operation in the fields of mutual legal assistance, extradition, and anti-corruption legislation. A similar working group between the USA and Pakistan could provide a forum for bilateral dialogue at the experts level and streamline procedures for assistance by either country to the other.

## Epilogue

NAB has embarked on a challenging task. Its efforts have, to a considerable extent, stemmed the erosion of social values. Corruption in the upper tiers of society has largely been contained, although it continues to exist at lower levels. Despite the successes of NAB, there is a long road ahead and corruption can only be controlled if the effort is sustained and complemented by comprehensive structural reforms, including the revamping of anti-corruption agencies.

Though in the past attempts had been made to evolve a purposeful system of accountability, these were marred by a lack of consistency and political will. Anti-corruption organizations were converted into tools for settlement of political scores and persons opposed to sitting governments became targets. Political interference adversely affected the performance and professionalism of anti-corruption agencies in existence at the time. Added to these constraints was the absence of accredited mechanisms for sharing resources or information. Now with the creation of NAB, the situation has changed. Under the present system, the FIA, Provincial anti-corruption establishments, the intelligence agencies, and related organizations, such as the Auditor General's Office and the Chief Executive's Inspection Commission are working in unison and not at cross-purposes. This has contributed to the effectiveness of accountability in the country.

NAB cannot claim to be flawless. Created amidst high expectations, it has delivered by successfully targeting hitherto sacrosanct icons of corruption; although such moves have also created panic amongst potential investors and the business community, especially since bank defaulters were its first target. As an initial reaction to NAB's actions, large amounts of money were secreted abroad. This, together with CBR's survey for documentation, which was initiated at the same time, caused further concern, leading to their being cited as the twin causes for capital outflows and reduction in aggregate demand, causing falls in both consumption and investment levels. Critics of NAB's actions even raised questions as to whether bank default should be viewed as a criminal offence. However, the sheer magnitude of the default and the disdain with which the financial sector was robbed stifled such arguments. To meet objections to this approach, the role of Governor of the State Bank was enhanced to operate as a buffer between NAB and the business community.

At the outset of its operations, NAB was accused of callousness for, inter alia, rigorously implementing the practice of a ninety-day remand without the possibility of bail. The Supreme Court decision, however, has initiated a change in this procedure by making it obligatory to produce the accused in Court after every 15 days to extend remand. The image of NAB, however, continues to suffer because of these initial practices. The exclusion of the judiciary and the armed forces from the accountability process has also aroused criticism against NAB.

Furthermore, the concept of plea-bargaining was not well received by the public, as they did not perceive it as amounting to punishment of accused persons. Some critics even went so far as calling it a money-whitening scheme, as the corrupt could thereby manage to save large chunks of their ill-gotten wealth. Those in support of the concept have always viewed it as a practical option for enriching the national exchequer directly and saving the cost of litigation, whilst simultaneously, convicting the accused and subjecting him to all the restrictions attendant upon a normal conviction. With increasing awareness of the positive aspects of plea bargaining the criticism has in time become somewhat muted.

Although NAB due to its performance has created an impact during the two years of its existence, the general public is not convinced that there has been a reduction in corruption. One reason perhaps for this is NAB's inability to contain petty corruption which directly affects the common man. Reduction of corruption at this level cannot come about only through anti-corruption activities of NAB-like organizations. It calls for additional socio-economic reforms affecting all segments of civil society.

Retrieval of assets stashed abroad is a daunting prospect for NAB. The criticism and disappointment in this regard are attributable to the exaggerated hype created in the initial days. A large number of people adopted the simplistic view that billions of dollars siphoned abroad would find their way back into Pakistan through NAB-initiated processes. In practical terms there has been slow progress in this field due to the hesitance of some foreign countries to repatriate funds owing to the absence of relevant treaties coupled with the difficulties within the respective legal systems of concerned countries. To circumvent this, NAB consistently espouses the cause of increasing international co-operation against corruption at various international forums, arguing that unless there is collective action by the global community, the anti-corruption agencies will continue to encounter dead-ends in their search for looted national assets.

The deleterious fall-out of burgeoning corruption in Pakistan was to progressively erode ethical values. The corrupt not only emerged from their closets, but also gained a perverted respectability amongst the elite. With no stigma attached to dishonesty, their ranks swelled. NAB's efforts to 'cleanse' the system has somewhat managed to reduce the ostentatious display of ill-gotten wealth and a lessening of the social acceptability of the corrupt. However, the overall impact has been limited and a more concerted effort is required to mobilize public opinion so as to ostracize the corrupt in entirety.

Across-the-board accountability is imperative for 'good governance'; yet equally important and directly related to administrative accountability are improvements in social indicators. Thus poverty alleviation, improved literacy rates, increased gender equality, and better health services are prerequisites for development. The participation of the people in productive activities and in the political process can be ensured only when these indicators reach respectable levels. Attainment of such levels, along with the elimination of corruption, would lay the basis for an effective and flourishing democracy. As the government moves towards a governance paradigm including all these components through the implementation of the President's seven points agenda, NAB will continue to play the role assigned to it.

A legitimate concern of the people is the future effectiveness of NAB. Will a political government be able to sustain the pressures resulting from NAB operations? To what extent can legislation be enacted to cushion NAB from the incursions of political expediency? All such factors are being reviewed by the concerned authorities to ensure that along with other reforms, the impact of NAB continues unabated and, in fact, improves with time.

The eventual success of accountability will depend on the ability of NAB to remain free from political influence, whilst continuously improving its institutional capacity. The organization needs to attain a permanent status, otherwise the successful inroads made by it in exposing and punishing the corrupt will be nullified. It is the duty not only of the present regime, but also of all future governments to strengthen accountability structures to ensure that the road to development is never washed away by the flood of corruption.